

SENATE STANDING COMMITTEE ON NATIONAL CULTURAL POLICY INQUIRY

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Fostering employment, innovation and entrepreneurship in regional and remote communities across Australia.

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

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

Targeted investment in programs such as the Regional Arts Fund, regional creative hubs, sector-wide skills development, and cross-industry collaboration can unlock new opportunities for communities to thrive economically and culturally. By integrating creativity into broader economic strategies, we can stimulate the co-design of new products and services that meet evolving market demands and consumer expectations.

In 2023 Regional Arts Australia welcomed the launch of the National Cultural Policy, Revive and the uplift to the Regional Arts Fund.

In this submission, we provide an overview of the impact of investment to the Regional Arts Fund and an analysis of the uplift in 2023-24.

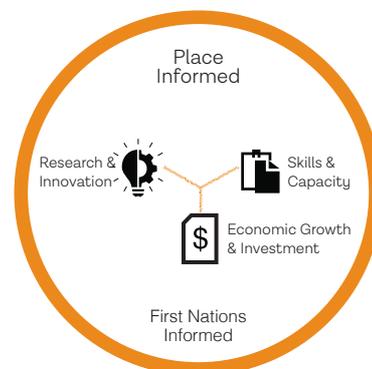
We further outline four strategic initiatives designed to unlock opportunities and to improve taxation for Australian creative industries. These initiatives recognise the sector's potential as a driver of job creation, skills development, and regional and national revitalisation. By leveraging creativity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

About Regional Arts Australia

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

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

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



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

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

Regional Arts Fund **Supporting excellence in regional, rural and remote Australia**

The Regional Arts Fund consistently provides resources towards sustainable cultural development projects and practice across regional and remote Australia.

The fund continues to meet the objectives of the program to a high degree. Applications are assessed against the following criteria:



In the 2023-24 period a total of 484 projects were allocated through the Regional Arts Fund Quick Response Grants, Project Grants and Strategic Partnership Projects, a 62% increase from previous years. The total number of successful projects increased by 75% and the total funding awarded increased by 58%. Funding was distributed across 55 Federal Electorates, with 75% of competitive grants allocated in rural and remote towns and communities.

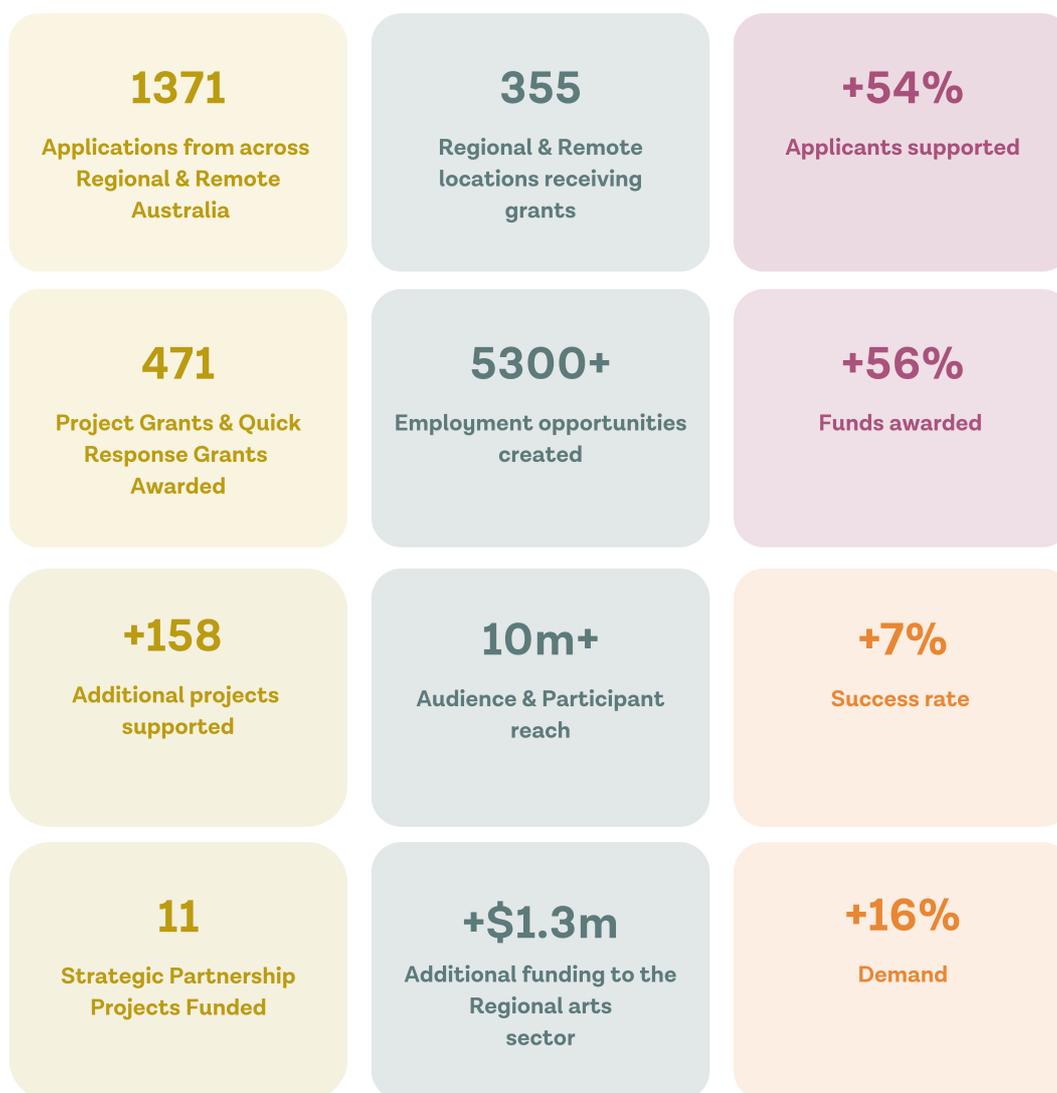
The uplift effect: Translating investment into impact

The uplift to the Regional Arts Fund through Revive, the Australian Government's National Cultural Policy has had a significant effect on the regional arts sector:

- \$5.8 million was invested into regional Australia through the Regional Arts Fund in 2023-24, a 61% increase from the previous year.
- \$3.7m of the total Fund was invested in Project Grants and Quick Response Grants.
- Funds were distributed to applicants in 355 regional and remote Australian locations, supporting 252 arts projects, 179 professional development projects, and 42 community capacity building projects.
- Competitive grants reached more than 10 million audience members and participants in 2023-24, an increase of more than 2 million compared to the previous period.
- 74% of projects were delivered in the applicant's home state/territory, with 52% of those being delivered in the applicant's hometown.
- Applicants leveraged more than \$5.2 million in cash support for their projects in 2023-24, representing 2 times the amount of RAF funding awarded.
- Over \$1.1m was invested through Strategic Partnership Grants. This funded sector partnerships across TAS, NSW, VIC, WA & SA, and national projects that supported high quality practice through professional and sector development opportunities.
- Data collected on applicant identity and project beneficiaries clearly demonstrates that the Regional and Remote arts sector is diverse. 54% of all successful individual applicants identified with a diverse community. Of the successful organisations to receive funding, 25% identified as Indigenous organisations.

An additional 158 projects were supported in 2023-24, distributing an additional \$1.3m in funding to the regional arts sector. Consequently, the success rate for the program rose by 7% in this first year of the uplift, with the highest increase in success occurring in the Northern Territory, which rose by 17%.

Uplift Outcomes Summary 2023-2024



Place-informed, regionally-led programs seed longer-term cultural and economic sustainability, boosting local capacity, increasing accessibility and engagement. The Regional Arts Fund (RAF) continues to be one of the most successful avenues for delivering targeted programs that are devised by, and which meet the needs of, regional Australian communities.

The graphs and tables below provide an analysis of the demand and success rates of applicants to the Regional Arts Fund from FY22-23 (pre-uplift) to FY23-24 (post-uplift).

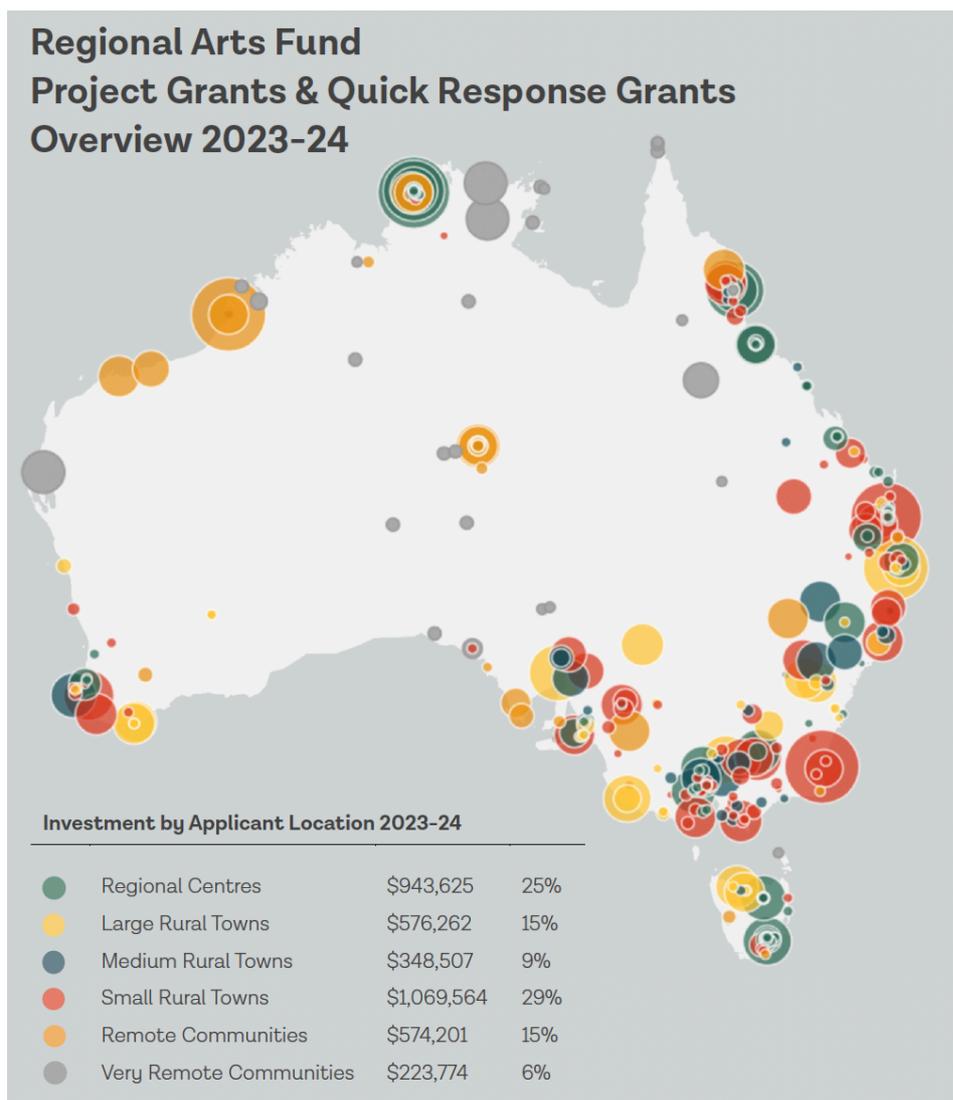


Diagram: Location of applicants funded through Regional Arts Fund (Modified Monash Model remoteness classification)

State/Territory	Investment 22-23	Investment 23-24	Variance
VIC	\$284,789.00	\$536,801.49	+ 88%
WA	\$296,775.17	\$538,583.04	+ 81%
NT	\$284,752.63	\$471,118.75	+ 65%
NSW	\$428,629.42	\$700,814.90	+ 64%
QLD	\$465,440.00	\$676,458.91	+ 45%
TAS	\$200,685.57	\$260,833.87	+ 30%
SA	\$384,506.00	\$475,690.37	+ 24%
Total	\$2,345,577.79	\$3,660,301.33	+ 56%

Table: Comparison of investment (\$) in competitive grant rounds of the Regional Arts Fund. State/Territory breakdown.

Success rates

The overall national success rate for the RAF in 2023-24 was 26%, an increase of 7% from the previous year. Success rates rose by 8% to 17% across all States and Territories, due to the increase in funding provided through Revive. The Northern Territory had the highest success rate at 49%, with the lowest success rate occurring in Tasmania at 27%.

State/Territory	Success Rate 22-23	Success Rate 23-24	Variance
NT	23%	40%	+ 17%
WA	25%	36%	+ 12%
VIC	9%	18%	+ 9%
NSW	23%	28%	+ 5%
SA	31%	33%	+ 3%
QLD	22%	24%	+ 1%
TAS	15%	16%	+ 1%
Total	19%	26%	+ 7%

Table: Comparison of success rates (%) in competitive grant rounds of the Regional Arts Fund. State/Territory breakdown.

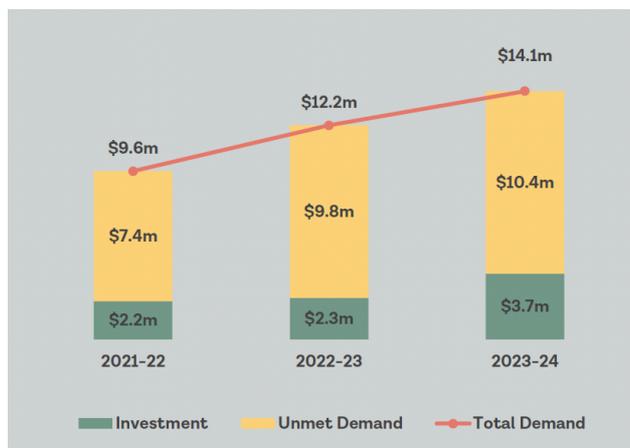
Demand

The demand for the Regional Arts Fund is consistently high and the demand for funding increased by 16% with the average request per grant increasing by 22%. Victoria consistently maintains the highest demand around \$3m per year. The most significant increase in demand occurred in NSW and Queensland, where the total funding requested increased by 37% between FY2023 - FY2024

State/Territory	Demand 22-23	Demand 23-24	Variance
NSW	\$1,840,399.86	\$2,521,812.74	+ 37%
QLD	\$2,089,884.07	\$2,859,088.63	+ 37%
WA	\$1,204,320.58	\$1,486,498.08	+ 23%
TAS	\$1,380,080.52	\$1,639,101.16	+ 19%
SA	\$1,249,097.52	\$1,427,556.87	+ 14%
NT	\$1,248,304.46	\$1,188,996.49	- 5%
VIC	\$3,154,626.30	\$2,984,082.09	- 5%
Total	\$12,166,713.31	\$14,107,136.06	+ 16%

Table: Increase in demand (\$) on the Regional Arts Fund in competitive grant rounds. State Territory breakdown.

The following table demonstrates the increasing demand on the Regional Arts Fund from the community over time.



Graph: Demand (\$) on the Regional Arts Fund in competitive grant rounds.

Unfunded excellence

Unmet demand grew by 6%, with initial analysis indicating that the rate of unfunded excellence was close to \$5 million for the 2023-24 year. The following table shows that of the unfunded applications in 2023-24, the assessment panels assessed an additional \$4.9 million could have been awarded to projects that satisfactorily meet the objectives of the Regional Arts Fund.



Unfunded excellence: All competitive grants

Recommended Investment

An uplift of \$5m annually as an initiative of the next National Cultural Policy.

... The evidence suggests that the RAF has a unique, and vitally important, role to play in Australia's cultural life in the coming years – and one which will only become more important as the profile of regional Australia evolves.

Initiative 1

INTRODUCTION OF A CREATIVE INDUSTRIES MANAGEMENT DEPOSIT SCHEME

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

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

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

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

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

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

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

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

The proposed scheme replicates actions already taken by the Government to recognise the unusual income earning patterns that farmers experience. RAA believes that Australian artists

deserve to receive similar taxation treatment to farmers because they share similar income profiles.

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

Initiative 2

NON-COMMERCIAL LEASING ARRANGEMENTS

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

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

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

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

Initiative 3

RECOGNITION OF PORTFOLIO INCOMES

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

The ABS states that:

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

With almost 1,000,000 people working more than one job, it is time for change. RAA believes that many of those with a second job are artists who are supplementing their creative industries' earnings through a second or even third job. RAA believes that it is time for a structural change to the way that the Tax-Free Threshold is applied, so that the current practice of Portfolio Incomes (where income is earned from a portfolio of jobs, including in the creative industries, not one single position) is recognised and supported.

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

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

Initiative 4

TAX EXEMPTIONS FOR GOVT GRANTS & FELLOWSHIPS

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

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

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

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

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

SUMMARY

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

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

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

Regional Arts Australia provides tangible mechanisms that support the delivery of the National Cultural Policy: Revive “to provide a solid foundation for future investment, within broader government fiscal settings” and “link existing programs with new funded initiatives.”

At the heart of our work we build cross-industry partnerships, demonstrate capacity building and providing timely support to celebrate Australian stories across art forms and landscapes.

We look forward to working with the Government on the develop of the next National Cultural Policy to build connection, generate exchange and strengthen a national network of artists, communities and organisations.

“To unlock cultural and creative ambition, supporting access and participation across regional and remote Australia.”

We welcome the opportunity to participate in the consultation process for the next National Cultural Policy.

SUBMSSSION CONTACT

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