

Melbourne Fringe



Submission to the National Cultural Policy Senate Inquiry

19 September 2025

1. Overview

This is a pivotal moment for the future of Australia's creative industries. The National Cultural Policy *Revive* articulates a bold and ambitious vision - but without structural change to how the sector is funded and supported, that vision cannot be fully realised.

Tax reform provides a once-in-a-generation opportunity to address longstanding inequities, unlock new resources, and build a fairer, more inclusive cultural landscape.

Tax reform for the creative industries must be guided by the principle that artistic and cultural work is a public good which benefits the whole of Australian society.

A healthy tax system should recognise the social, cultural and economic contributions made by artists and creative workers and be structured in a way that supports their sustainability and growth.

At present, the tax system too often treats creative work as marginal, hobbyist or incidental, when in fact it forms a vital part of the national economy and is central to our identity, health and social cohesion.

Many artists earn erratic and episodic income that does not align well with conventional annualised tax models. Current tax settings often penalise artists in years when they receive lump sum payments such as grants, fellowships or prizes, despite these earnings being intended to support creative practice over extended periods.

For organisations, particularly in the not-for-profit sector, the tax system offers fewer concessions than for comparable industries delivering public benefit, such as health or education.

Fairer, stronger outcomes would result in a more sustainable and resilient creative workforce, greater incentives for cultural investment, increased access and participation in the arts, and stronger mechanisms for supporting community wellbeing through creative engagement.

Tax reform should enable arts organisations to thrive, encourage private sector support, and ensure that artists can pursue their careers with greater financial stability and less administrative burden.

Visionary tax reform will result in better mental health and wellbeing outcomes for Australians, better social cohesion outcomes for communities, a more sustainable and prosperous workforce, and the future of Australia's arts and cultural sector secured.

2. Opportunities for Tax Reform

A series of strategic, targeted reforms to the tax system would materially improve the viability and impact of the creative industries. These reforms are both achievable and necessary and should be designed with a long-term vision for the sector's health and contribution to public life.

2.1 Broadening the definition of a Public Benevolent Institution (PBI)

We advocate for the Australian Taxation Office to broaden the definition of a Public Benevolent Institution (PBI) to explicitly include arts organisations whose work is demonstrably directed toward arts access and inclusion, recognising this work relieves disadvantage and social disconnection.

There is already strong evidence that arts programs supporting First Nations communities, children and young people, refugees, d/Deaf and Disabled people, and other arts activity – particularly those that work with communities experiencing hardship, trauma, or disadvantage – has strong health and community outcomes. In recent decades, a wealth of Australian and international research has demonstrated the health and wellbeing benefits of creative engagement. Arts participation is positively correlated with reduced psychological distress, enhanced social connectedness, improved learning outcomes, and stronger community resilience. These effects are particularly strong in programs that target children and young people, culturally and linguistically diverse communities, First Nations people, and those living with disability, trauma or disadvantage.

The ACNC's 2023 interpretation of benevolence should be updated to explicitly include this work. Under current Australian tax law, PBIs are defined by the ACNC as institutions that are "organised, conducted or promoted for the relief of poverty, sickness, destitution, helplessness, suffering, misfortune, disability or distress." In its 2023 Commissioner's Interpretation Statement, the ACNC affirmed that relief can be broad in nature, and that services do not need to be clinical or crisis-oriented to qualify. The key threshold is that the organisation's dominant purpose is to provide relief, and that its services are targeted, structured and effective in delivering that relief.

However most arts organisations do not qualify under the current definition. Despite working not only to produce cultural outcomes, but to create environments of safety, growth, expression and connection, most organisations are ineligible for PBI status and therefore excluded from fringe benefits tax concessions available to similarly purposed organisations. Appropriate arts organisations should be eligible for the same fringe benefits tax concessions afforded to other PBIs, such as those in the health and social services sectors. Inclusion under the PBI definition would provide a substantial financial benefit to the employees of these organisations through salary packaging, effectively increasing take-home pay without requiring additional public expenditure. This would have the effect of a structural funding boost for the sector, one that is delivered through the tax system rather than through grants.

The effect of this exclusion is both symbolic and structural. It perpetuates the idea that the arts are peripheral to wellbeing, despite overwhelming evidence to the contrary. And it deprives arts organisations of a vital cost-saving mechanism - salary sacrificing - that could significantly improve the financial position of their employees.

Inclusion under the PBI definition would deliver immediate and meaningful results. Employees of eligible arts organisations could access pre-tax benefits for housing, meals,

travel, or general living expenses. This would increase take-home pay without additional funding outlay by the employer, effectively delivering a real wage increase in a sector where wages are chronically low. For organisations, this could reduce turnover, attract skilled staff, and allow a greater share of limited budgets to be directed toward programming and community impact.

This reform would also send a clear and overdue message that the arts are not merely a form of entertainment or decoration - they are a mechanism for social change, healing and justice. In this sense, expanding PBI eligibility is not only a tax matter, but a matter of equity and recognition.

To safeguard the integrity of this system, eligibility could be limited to organisations that already hold Deductible Gift Recipient (DGR) endorsement and can demonstrate a structured or targeted program of benevolent activity.

2.2 Tax deductibility of household spending on arts and culture

We also support the tax deductibility of household spending on arts and cultural engagement through a Cultural Consumption Tax Credit. This would allow individuals and families to claim tax offsets or deductions for spending on arts activities such as attending performances, buying books, subscribing to local streaming services, or enrolling children in arts programs. This reform could be particularly effective if it prioritises access for young people, regional Australians and those from low-income households.

A complementary reform would be to introduce a tax rebate for the costs associated with participation in children's and youth arts programs. Parents should be able to claim the cost of dance and theatre classes, instrument hire, art supplies, or other related activities on their personal income tax returns. This would embed the arts as a core part of childhood development. With youth mental health emerging as a national priority, this reform acknowledges that early and regular engagement in creative activity plays a powerful role in resilience, expression and social connection.

When parents are able to claim the cost of arts education on their tax return, they are more likely to enrol children in programs that build creativity, confidence and collaboration skills. Over time, this expands the market for creative industries and builds future generations of artists, audiences and creative professionals.

2.3 Other tax exemptions

We advocate for the increase of tax deductibility for donations to arts organisations, following the Singapore model which offers 250% deductibility. This would substantially increase the attractiveness of philanthropy, particularly among high-net-worth individuals and corporate donors, and would encourage greater private sector investment in cultural development.

Further, we advocate for the tax exemption of prize money and grants, including from GST obligations. Current tax treatment penalises artists for success, pushing them into higher tax brackets and triggering GST registration in years when they receive large one-off grants or prizes. This distorts the purpose of such funding, which is often intended to support sustained development over time. Grant or prize money should not be not taxed as if it were commercial income.

3. Impact of Tax Reform

The proposed reforms would transform the economic, social and cultural landscape of the creative industries. At an individual level these reforms would materially improve the financial stability and wellbeing of artists and creative workers. These measures acknowledge the irregularity of creative income and allow artists to retain more of their earnings during high-income years, while also enabling greater deductibility of the costs involved in producing work.

For arts organisations, the most transformative reform would be the inclusion of eligible creative organisations under the definition of Public Benevolent Institution. This would deliver immediate and sustained benefits to employees through access to salary sacrificing, enhancing job retention, reducing burnout, and enabling the sector to attract and keep talented professionals. In a sector where wage growth has lagged and organisational funding is increasingly stretched, access to fringe benefits tax concessions would effectively function as a new funding stream without requiring an increase in public expenditure.

At the industry level, a 250% tax deductibility rate for arts donations would encourage a surge in private sector support, increasing investment in artistic innovation, cultural institutions and community programs. This would diversify the funding base for the arts, reduce over-reliance on limited grant programs, and foster greater connection between donors and the organisations they support.

On the demand side, cultural participation rebates - especially for youth arts activities - would expand access to those who currently face financial barriers. These schemes recognise that participation in the arts is not a luxury but a social necessity with deep developmental benefits.

4. Managing Risks and Unintended Consequences

One of the primary risk is the potential for unintended use or abuse of new tax concessions - for instance, individuals or organisations falsely claiming eligibility for deductions, offsets or PBI status. This can be mitigated through clear and tightly defined eligibility criteria, rigorous registration processes, and regular review mechanisms.

For reforms such as the Cultural Consumption Tax Credit or children's participation rebates, there may be concerns about administrative complexity, especially in verifying eligible expenses. These can be addressed through the standardised claiming platforms similar to those used for health or education-related rebates. The use of digital infrastructure by the ATO and the proliferation of online ticketing and enrolment systems make these verification processes far more efficient than in previous decades.

There is also the challenge of defining what qualifies as a "creative industry" or a "public benevolent arts organisation". However, definitions already exist within funding bodies such as Creative Australia, as well as through the DGR endorsement framework. Criteria could include existing charitable status, programmatic focus on disadvantaged communities, and evidence of social impact. These standards should not be overly restrictive - or they risk excluding innovative or intersectional organisations - but they must be transparent, reviewable and accountable.

Finally, coordination across jurisdictions is essential. Tax reform must be harmonised across federal and state systems to avoid duplication, confusion or inconsistency. Clear guidance from the ATO and coordination with peak bodies, such as Creative Australia, will be key to managing implementation risks.

5. Alternatives to Tax

While tax reform is a powerful lever, it must sit alongside - not in place of - existing funding and regulatory mechanisms. In some cases, the proposed reforms can provide alternatives or supplements to grant funding, particularly where they deliver value through increased take-home pay (such as PBI inclusion) or through expanded participation (such as tax credits for arts engagement). These offer a more dynamic and less administratively burdensome pathway to support, as they allow individuals and organisations to access benefit through standard tax processes.

However, tax reform is not a replacement for direct investment. Grants remain essential for high-risk, experimental and non-commercial work that is unlikely to be funded through philanthropic or market means.

6. Compliance

Many of the compliance challenges facing the creative industries stem from the misalignment between standard tax processes and the lived realities of creative work. Irregular income, hybrid employment, sole trading, and high upfront costs all contribute to complexity and risk.

To ease compliance, the ATO should develop artist-specific guidance, including tailored advice for DGR organisations and freelance creatives.

We urge the Committee to champion these reforms at the national level.

Yours sincerely,

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