

The Art of Tax Reform

Live Performance Australia Submission

August 2025

Overview

The Art of Tax Reform summit has the potential to shape transformational outcomes for our arts and creative industries.

Live Performance Australia applauds the NSW Government for its leadership in putting the spotlight on the opportunity to support jobs, economic growth, creativity and cultural vibrancy through better tax policy.

Live performance engages, entertains, educates and inspires audiences of all ages and backgrounds. There were more than 30 million ticketed attendances at live performance events nation-wide, generating over \$3 billion in ticket revenue in 2023.

During this period, live theatre and orchestral performances attracted more than 10 million ticketed attendances and almost \$1 billion in ticket revenue (2023 Ticket Attendance and Revenue Report, Live Performance Australia).

Our live performance industry comprises a diverse mix of independent producers, not-for-profit organisations and commercial businesses. They rely overwhelmingly on self-generated revenue to sustain and grow their operations.

Performing arts businesses and organisations provide diverse employment opportunities including artistic, production and technical, management and support roles. According to the 2021 Census, more than 24,000 people are employed in the performing arts sector, with a further 8,000 specialist creatives working in other sectors or industries.

Tax reform is an area which can make a critical difference to the sustainability and success of our live performance industry. It will help foster new and uniquely Australian productions, create sustainable career pathways for artists and creative workers, and engage audiences at home and internationally.

A Live Performance Production Incentive should be a top priority.

It can be implemented quickly and efficiently to deliver immediate beneficial impact for commercial and not-for-profit organisations. This should be introduced in the context of the 2026/27 Federal Budget.

The Production Incentive would apply to **theatrical and orchestral productions**. It can be implemented as a **refundable tax offset** through the tax system like the already well-established schemes for screen and digital games producers. (Where there is no tax liability it is returned as rebate.)

Without such an incentive, there is little appetite among Australian investors to support Australian productions compared to overseas opportunities, and Australia is uncompetitive for international investment.

Given longer lead times in planning for new productions, it is imperative that governments send an early, clear signal on their commitment to introduce a production incentive to inform future investment decisions.

LPA also supports a targeted production incentive scheme for **live music performance** based on similar principles to address costs of production and touring, including for music festivals.

There are other areas in which tax reform could deliver significant outcomes for arts and cultural organisations and positively impact their financial sustainability and growth.

Philanthropy and private donations are an important source of income for not-for-profit organisations. Donors who want to support arts and cultural organisations should be incentivised to do so through an **increased rate of tax deductibility to organisations** eligible for Deductible Gift Recipient (DGR) status. The current deductibility rate for donations could be increased from 100% to 150%, including targeted incentives for first time or smaller amount donors, who may be financially constrained.

An **extension of Fringe Benefits Tax exemptions** to arts and cultural organisations would help them address critical industry-wide skills shortages through improved capacity to attract and retain staff, as well as compete for talent against other industries. These arrangements would be like those already in place for Public Benevolent Institutions (PBI), health promotion charities and hospitals, recognising the public benefit and value generated through engagement with arts and culture.

The application of **GST to ticket revenue** for not-for-profit arts and cultural organisations needs to be reconsidered. Currently, an endorsed charity or DGR entity can sell tickets GST-free where the supply (ticket price) is less than 75% of the cost of supply (production). Tickets supplied above this threshold rate incur GST. The administration of this provision is highly complex, costly and increases financial and compliance risk for not-for-profit organisations. It also restricts their ability to optimize ticket revenue and audience engagement. The 75% threshold should be raised to 100% of ticket revenue for eligible organisations.

We look forward to contributing to the Summit's consideration of these opportunities.

Richard Evans AM
President

Eric Lassen
Chief Executive Officer

About Live Performance Australia

Live Performance Australia is the peak body for Australia's live arts and entertainment industry. Established over 100 years ago in 1917 and registered as an employer organisation under the *Fair Work (Registered Organisations) Act 2009*, LPA has more than 400 Members nationally. We represent commercial and independent producers, music promoters, performing arts companies, venues (performing arts centres, commercial theatres, stadiums and arenas), arts festivals, music festivals and service providers (such as ticketing companies and technical suppliers). Our membership spans from small-medium and not-for-profit organisations to large commercial entities.

Live Performance Production Incentive

Why do we need a live performance production incentive?

Live performance is a complex, collaborative and inherently risky business. New productions generally require years of development and large upfront investments (from hundreds of thousands up to millions of dollars) before they are presented to audiences for the first time. The development and production costs are all carried by the producer, drawing on their own resources or support from investors.

Significant increases in production and touring costs have made it much more challenging to bring new productions to the stage. Consequently, producers are scaling back or not proceeding with new productions. Tighter operating margins mean reduced development times which can affect creative quality and impact, fewer new productions, shorter seasons and less touring, which leads to fewer employment opportunities for artists, creative, technical and production staff.

The Australian market presents unique challenges for producers who face much higher production and touring costs to reach more geographically diverse audiences compared to international markets. Increased costs mean touring footprints across Australia will be much smaller, meaning audiences in metropolitan and regional locations may miss out altogether due to the prohibitive cost of moving a production around the country.

Australia is also missing out on local and international investment in new productions to those markets which already offer generous production incentives, including the UK. London's West End is a more attractive investment proposition for Australian investors than the local market. Levelling this playing field will enable Australian producers to attract investment, employ more of our homegrown talent, build career pathways, and grow our cultural exports.

Purpose and impact

A production incentive enables producers to mount productions, support touring, and develop the next generation of creative talent, including our independent and small to medium companies.

- It's **revenue-positive** for government. Economic modelling undertaken by EY for Live Performance Australia shows a **40% incentive for live theatre** would return \$1.26 in tax revenue for every dollar in tax foregone.
- It works across the **commercial and not-for-profit sectors** and would promote greater collaboration between them.
- It makes Australia **internationally competitive** for investment. It will help to grow the pool of prospective local investors as well as attract investment from overseas.
- Not-for-profit companies can **recoup production expenses** which can be reinvested in new works, improving their financial sustainability.
- It underwrites the creation of original works leading to **licensing and export opportunities** which returns royalties back to Australian creators and rights holders.

- It provides **equitable treatment** for theatre and orchestras, alongside the screen and digital games industries.
- It creates **jobs and stable career pathways** for Australian artists, creatives, and production and technical workers.
- It **supports ambition**. Young Australian writers and producers working in small companies could see their creative visions grow into internationally distinctive productions that compete on the global stage.
- It is **activity-driven**. The incentive is paid on actual expenditure in new productions, meaning it has a tangible and measurable impact.
- It makes **touring of productions** more financially viable. Without a production incentive, touring pathways will continue to shrink due to cost pressures, including for major cities such as Adelaide, Canberra, Hobart and Perth as well as regional centres.
- More Australian productions will be able to **tour internationally**, earning export income and growing global opportunities for Australian creativity.
- A thriving live performance sector **bolsters tourism, hospitality, and local businesses**, enriching our communities and enhancing Australia's position on the world stage.

I've had an extensive career in the film and television sector before coming into the live performance space.

I can tell from firsthand experience the introduction of the producer offset and the location offset, and now the games offset, for those sectors have been absolute game-changers in the way that they've been able to develop and plan and rely on incentives that are based around developing Australian intellectual property and creating jobs for Australians.

And I foresee absolutely the same will occur for the theatre sector. There would be a significant increase in the amount of content that's produced in Australia, both by the commercial operators and also by theatre companies like ours.

Ian Booth, CEO, Black Swan State Theatre Company (WA)

Universal application

A Live Performance Production Incentive would have universal application across commercial and not-for-profit organisations.

It would assist small and large producers across a wide range of performance categories. It delivers benefits through the creative ecosystem from writers to performers, production and technical workers and venue staff.

It supports Australian-made creativity in our regions, major cities and internationally.

CDP Theatre Producers is one of Australia's leading producers of Theatre for Young Audiences. A small commercial organisation, CDP regularly creates and tours high quality work regionally, nationally and internationally.

For example CDP's adaptation of Andy Griffiths' The 13-Storey Treehouse was created in 2013 for an initial investment which in today's dollars would be about \$300,000. This created employment and income for writers, creatives, cast and crew.

The production has also generated an ongoing royalty stream for book author/illustrator and creatives. It has gone on to 2 major Australian regional tours, and multiple capital city seasons, playing to an Australian audience of more than 150,000 people, bringing performances to children and families around the country and investment in touring expenses throughout regional Australia.

The show has also toured to New Zealand, Singapore, Hong Kong, the US and the UK, and CDP has co-produced a Dutch language version which has toured extensively through the Netherlands and Belgium.

CDP went on to produce 4 more Treehouse shows, which have also toured extensively nationally and internationally, visiting almost every regional performing arts centre in Australia and giving the series a combined audience in the order of 1 million people.

While CDP has also created similar successful regional, national and international tours, increases in costs and declining market conditions have resulted in the company slowing its development of new work by approximately half. A Live Performance Production Incentive would enable the company to increase its investment almost immediately.

Andrew Threlfall, Director, CDP Theatre Producers (NSW)

Cost efficiency

The production incentive would be revenue positive for government.

Economic modelling commissioned by LPA shows a 40% incentive for live theatre would return \$1.26 for every dollar foregone in tax. It would generate an additional 4,151 jobs and add \$1.5 billion in economic activity. (See Attachment A for further detail.)

Investment and expenditure decisions would be made by producers who also deliver the development and production activity. The production incentive is claimed on completion of those activities.

There is an established precedent for this type of production incentive in Australia, in particular the incentive and tax offset schemes in place for the screen and digital games industries, supported by federal and state and territory governments.

The production incentive could be delivered as a refundable tax offset aligned with the principles and processes of the provisions already in the *Income Tax Assessment Act 1997*, such as Divisions 376 (screen) and Division 378 (digital games).

The Art of Tax Reform discussion paper notes that fairness is one of the principles for good tax policy, as well as neutrality and economic efficiency, simplicity and integrity.

On this basis, there is a compelling case for the principles behind screen and digital games incentives to be extended across the arts and creative industries, including live theatre and orchestras. The incentive would apply to commercial and not-for-profit entities and be accessible to organisations of all sizes.

Sustainability

The production incentive would stimulate investment in live performance productions by attracting private investor support from Australian and international investors.

It would make Australia a more attractive investment destination, grow the pool of available investment capital, and boost the capacity for not-for-profit organisations to reinvest in new productions to support their long-term growth and sustainability.

The production incentive is not a substitution for direct public investment, which will continue to play a crucial role in supporting our creative and cultural organisations.

Current levels of public investment must be maintained and indeed increased to help arts and creative organisations and businesses:

- sustain, adapt and grow their operations;
- meet government expectations set out in the National Cultural Policy, *Revive*; and
- meet the policy objectives of state and territory governments.

There is strong international evidence which points to the industry-shaping impact of production incentives, such as the UK's Theatre Tax Relief (TTR) and Orchestra Tax Relief (OTR), which have been in place for more than a decade.

The UK TTR and OTR rates were increased to support industry recovery from the COVID-19 pandemic and have been retained at those higher levels due to their positive impact for the UK's arts and cultural sector. Indeed, the incentives are also accessed by Australian producers to develop new productions offshore due to the cost benefits available through tax relief.

The introduction of Theatre Tax Relief (TTR) in 2014 was a game-changer, enabling theatre organisations to increase the number and scale of productions which in turn created jobs and opportunities across the UK.

The higher rate introduced in 2021 turbo-charged our sector's bounce back from the pandemic, enabling risk taking when the stakes had never been higher. The announcement of the extension of that higher rate last year immediately unleashed new, richer productions, creating new jobs and stimulating investment in our sector from within the UK and from overseas.

In the year that the higher rate was first introduced, we estimate that at least £163 million was invested into theatrical productions as a result of £38 million of Theatre Tax Relief. This is a return of over 4 to 1 for the public investment.

Claire Walker and Hannah Essex, Co-CEOs, Society of London Theatre and UK Theatre, 'The higher rate of Theatre Tax Relief', February 2024

Extending FBT exemptions to arts and cultural organisations

An extension of Fringe Benefits Tax (FBT) exemptions to arts and cultural organisations would help them attract and retain staff, compete for talent against other industries, and address critical skills shortages across the industry.

These arrangements would be like those already in place for Public Benevolent Institutions (PBI), health promotion charities and hospitals. This would also recognise the demonstrated benefits to health and wellbeing through engagement with arts and culture.

There are over 12,000 registered PBIs in Australia. Currently, to be recognised as a PBI, an organisation must:

- be an institution and meet the legal meaning of charity/be entitled to be registered as a charity, and
- be organised, conducted or promoted to provide benevolent relief to people in need. Benevolent relief includes working for the relief of poverty, sickness, disability, suffering or misfortune. This relief may be indirect, such as through raising funds to provide benevolent relief.

A PBI may be eligible to be endorsed as a Deductible Gift Recipient (DGR) and can apply for charity tax concessions, including fringe benefit tax concessions and exemptions which enable them to provide more attractive salaries to employees. This increases their ability to attract and retain skilled workers.

LPA Members consistently report that access to PBI status or FBT exemptions would:

- support them to attract and retain staff, compete for talent against other industries, and address current skills shortages across the industry; and
- increase their eligibility and competitiveness for grants and philanthropic investment – e.g. PBI status may increase an organisation's appeal to philanthropic donors, and salary packaging reduces staff costs of grant-based projects.

LPA supports the extension of FBT exemptions to arts and cultural organisations on a similar basis to those already provided to PBI entities. An advantage of this approach is that it can build upon existing frameworks and processes to strengthen sector capability.

Increased deductibility for philanthropy and giving

Certain cultural organisations (i.e. registered charities) are eligible for Deductible Gift Recipient (DGR) status, meaning they can receive tax deductible gifts. There are approximately 25,000 charities (40% of charities) with DGR status for some or all their activities. Many of these charities, including in the live arts and entertainment industry, rely heavily on donations to carry out core business and so must use significant time and resources to raise philanthropic funds.

The National Cultural Policy, *Revive*, has identified the need to promote philanthropic giving (Pillar 4, Strong Cultural Infrastructure). However, more work is needed to meet the Australian Government's commitment to double the rate of giving by 2030. The Productivity Commission

has noted that while the total value of donations has increased over recent decades, fewer people are actually claiming a tax deduction for giving.

Australia's giving rate also compares unfavourably with our global counterparts. Australian giving equates to 0.81% of GDP, in comparison to New Zealand (1.84%) and the United States (2.1%).

Individuals are less likely to give if the financial incentive they receive is too weak. Presently, donors can claim back the exact amount that they gift to a DGR. For example, if a donor gifts \$100, they can claim \$100 as a tax deduction (1x the donation amount). Allowing them to claim \$150 (1.5x the donation amount) would greatly incentivise donations. This model has been implemented successfully in Singapore, where individuals receive deductions of 2.5 times every \$1 donated. The Singapore Government has extended this provision until the end of 2026.

The current deductibility rate for donations could be increased from 100% to 150%, including targeted incentives for first time or smaller amount donors who may be financially constrained.

GST on ticket revenue for not-for-profit arts and cultural organisations

The *New Tax System (Goods and Services Tax) Act 1999*, section 38.250(2) currently allows an endorsed charity or DGR entity to sell tickets GST-free where the supply (i.e. the ticket price) is less than 75% of the cost of supply (i.e. the production). Tickets above this threshold rate incur GST.

However, the 75% threshold has not changed since the GST's introduction more than two decades ago. It also assumes that all charities can recoup additional revenue through philanthropy and other sources to meet their actual costs.

This measure mitigates against the ability of not-for-profit producers to earn additional revenue without significantly increasing ticket prices to achieve real uplift after the impact of the GST is taken into account.

It also imposes detailed and complex administration processes, which can require specialist financial and accounting expertise, and increases financial and compliance risk for not-for-profit organisations.

Endorsed charities and gift deductible registered (DGR) organisations should be given the right to treat all ticket sales as GST-free under specific conditions. Extending the GST-free status from 75% to 100% would enable eligible organisations to grow their revenue and audience engagement, simplify administration and reduce compliance risk.

Attachment A: The benefits of providing tax offsets to Australian theatre producers

Live Performance Australia commissioned Ernst and Young (EY) in 2024 to prepare a study into the benefits of providing tax offset to Australian theatre producers. The study was informed by consultation with several commercial and not-for-profit theatre producers.

It found that rising production costs and a declining pool of capital to fund these costs are making it increasingly difficult for theatre producers to create, produce, stage and tour productions in Australia. Key challenges include, but are not limited to:

- Producers have a reduced ability to create new intellectual property and licensing opportunities given the cost of creating new, original productions;
- The reduction in shows produced is resulting in reduced export opportunities (e.g. domestic and international touring of Australian production; costume, stage and set design);
- There is a reduced labour pool of specialised employees as opportunities decline and they seek employment in other sectors (e.g. performers, musicians, creatives, technical and production, suppliers);
- There are reduced downstream flow on benefits to related industries (e.g. retail, hospitality and tourism);
- Reduced audience reach, including less access for regional audiences; and
- Reduced contribution to cultural vibrancy, social cohesion and wellbeing.

It estimated that a tax offset of 40% to 50% on qualifying pre-production expenditure would result in a positive return on investment for the Australian Government. This was estimated in terms of total tax collected (up to \$1.26 in tax received for every \$1 in tax forgone) and additional economic contribution (up to \$1.9 billion in output and \$601 million in value add).

<u>Economic Contribution</u>	<u>40% Offset</u>	<u>50% Offset</u>
Employment (FTE)	4,151	5,136
New productions	168 <i>Not-for-Profit: 50</i> <i>Commercial: 118</i>	210 <i>Not-for-Profit: 63</i> <i>Commercial: 157</i>
Industry output (direct and indirect)	\$1,505m	\$1,862m
Industry value add (direct and indirect)	\$486m	\$601m
Tax forgone	\$93m	\$116.2m
Tax received	\$117.3m	\$145.1m
Net tax position	\$24.3m	\$28.9m