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Committee Secretariat - Arts and Cultural Philanthropy
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To the Committee

Inquiry into Arts and Cultural Philanthropy

The City of Sydney welcomes your inquiry into the current state of philanthropic giving and opportunities to increase the level of private support to arts and cultural activity in Australia.

I attended the recent Art of Tax Reform Summit held in Sydney in September 2025. It was inspiring to see such an enthusiastic response to the summit from the creative sector, private sector and all levels of government from across Australia. The City of Sydney's submission to the Art of Tax Reform Summit contains a number of recommendations regarding philanthropic giving that are relevant to your inquiry. I attach the full submission prepared for the Summit, for your reference, and outline the most relevant recommendations in this letter.

Principles for reform

Reform to increase private support for the cultural sector must increase the overall investment in arts and culture, not replace existing government investment.

Further, private support should supplement existing investments to broaden the scope and scale of our national investment in culture, fill gaps and address systemic issues, rather than replicate existing programs and cash disbursements.

Increasing private support should prioritise outcomes that current arts and cultural policy settings are not delivering, namely:

- a stable supply of affordable creative workspace in the private market
- income security for artists
- investment in for-purpose for-profit creative operators that are essential to the creative ecosystem.

Creative workspace

The City of Sydney has spent more than a decade investigating the complex and systemic issues affecting the availability, affordability, and sustainability of creative space—both within our local government area and across Greater Sydney.

We know that creative space is so much more than the theatres, music venues and galleries that are the backbone of cultural life. It is critical infrastructure and workspace that underpins the creative economy, supports employment, and facilitates the interconnected supply chains of industries like film, fashion, theatre, music, and industrial design – vital industries to vibrancy, liveability and competitiveness.

The creative industries have very specific spatial needs, and they occupy the kinds of spaces that are becoming less common in urbanised global cities. Spaces like warehouses, studios and rehearsal rooms, where there is space to make mess and noise.

Our city has seen a dramatic reduction in creative workspace as much of the building stock previously occupied by light industry has been rezoned and redeveloped for housing. In the decade to 2022 commercial floor space occupied by creative uses declined by over 170,000m² in our local area.

Opportunities to increase the level of support

Deductible gifting of property

The supply of creative space could be improved through the gifting of property to cultural organisations and creative space operators. Gifts of property can be tax deductible in certain circumstances, and to suitable Deductible Gift Recipients (DGRs), however eligibility is complex. Properties that have not been purchased within the previous 12 months or have been inherited are subjected to a lengthier, more complex process to determine deductibility. Consideration should be given to whether current processes are sufficiently enabling gifting of inherited properties and property bequests for cultural and creative industries purposes.

landlord incentives for below market rate leasing

Another approach would be to incentivise the leasing of property to creative industries at below-market rates through the introduction of a tax allowance.

Commercial properties are valued on their potential rental yields, which deters private landlords from reducing rents for creative tenants. In many cases this results in properties remaining vacant, long-term, rather than reducing their book valuation.

Applying a tax deduction to the in-kind value of below-market-rate leases would be a win-win incentive. Here, demonstration of a long-term lease with rental rates set at a significant discount below a market evaluation could be claimed as an income offset by the landlord. The aim of this tax allowance would be to facilitate security of tenure for creative tenants at sustainable rental rates, without disadvantaging private owners of the building stock best suited to creative work.

Income security for Artists

Greater Sydney still has the largest creative workforce in the country, but it is retracting. Our overall workforce has grown, but the core cultural professions (artists, writers, musicians and performers) have declined significantly. Sydney is the only capital city in Australia to have a clearly documented decline in its artist population in recent years, but other capital cities look to be following the trend.

We know that the cost of renting in Sydney is having an impact on sustaining creative careers. The *Artists as Workers* research undertaken by Creative Australia has demonstrated a steady decline in artist incomes over the past 15 years, while over the same time, Sydney rents have doubled. The median weekly rent in Sydney is equivalent to 62% of the average income of artists.

Earlier this year, the City of Sydney undertook our first annual Creative Workers Survey, designed to track confidence and resilience within our local creative community in real time. The findings are stark. 57% of respondents are considering leaving Sydney within the next 12 months. The costs of housing and accessing creative workspace are the drivers of this uncertainty.

Opportunities to increase the level of support

Private gifting through intermediaries

In Australia, tax allowances are the primary driver of private investment in arts and culture through donations to organisations registered as Deductible Gift Recipients (DGRs). This type of philanthropy tends to be motivated by personal tastes and aspirations, a connection to the cultural product, or a sense of prestige and legacy. It is not commonly linked to a broader strategic framework for the creative industries or priorities established by government or the cultural sector. For example, it is fair to argue that, in Australia, the bulk of philanthropic investment in the arts is directed to a relatively small number of organisations who are also in receipt of the largest share of government grants.

The current DGR framework almost exclusively directs private support to established non-profit companies. There is a role for intermediaries who can broker philanthropic funds and distribute them directly to artists and creative operators who sit outside of the DGR framework.

The Australian Culture Fund (ACF) is an example of an intermediary whose role could be expanded. For example, as it is operated by Creative Australia, the ACF could be an avenue for supporting “unfunded excellence” – those applications to Creative Australia that were highly commended by peer assessors, but unable to be supported within the allocated budget.

The ACF is already playing an important role in providing cash support directly to artists, but it is always linked to a project outcome and often provides supplementary income for projects in receipt of other government grants. As it is dealing exclusively in charitable funds, the ACF seems uniquely positioned to provide support to artists that is not project-dependant, such as housing and income support. Could the ACF have a role to play in providing general income support for new, emerging, diverse and underrepresented artists? Or subsidising access to rehearsal, recording, workshop and studio space for creative development – those crucial artistic processes required to conceive a potentially fundable cultural project?

We need to embrace the full potential of philanthropic funds to support the grass-roots fundamentals of the creative ecosystem, as well as our most prestigious cultural icons. We can do this with confidence by resourcing a suitable intermediary of sound governance, like the ACF, with an expanded strategic remit.

Investment in for-purpose for-profit creative operators

When thinking about expanding the distribution of philanthropic funds, we need to recognise that most businesses working in the creative industries are for-profit business entities that are ineligible for charitable donations.

There are very good reasons why some cultural operators need to remain for-profit, such as access to loans and financing, or retaining IP and company control of founder-led creative enterprises. Many cultural businesses operate hybrid business models with multiple revenue sources, particularly in the contemporary music, performing arts and screen sectors. In considering the role of an intermediary like the Australian Culture Fund, it is worth exploring how legislative change could enable a charitable intermediary to collect philanthropic funds and distribute them to for-profit entities like music venues, commercial theatre producers, film producers, or creative space operators, while retaining the donor’s tax benefit from gifting to a DGR.

Other opportunities to increase the level of support

Bonus deductions for donations to DGRs

Proposed in the *Art of Tax Reform* Discussion Paper, this idea is the allowance of a deduction greater than the value of the donation to a DGR. For example, applying an income deduction of 150% of the value of a donation. Similar schemes have been in place in Australia in the past and operate in other jurisdictions.

The productivity commission's *Future Foundations for Giving* report cites modelling that demonstrates such a scheme could decrease the net yield of arts philanthropy, both by encouraging major donors to reduce the cash they currently donate for receipt of the same benefit, and by increasing tax expenditure at a potential cost to government arts budgets.

However, a moderate, nuanced approach, may encourage lower value gifting from a larger cohort of potential donors. For example, a higher rate of deduction for cash donations below \$10,000 made by individual donors earning under a moderate personal income threshold could direct the additional benefit only to lower income earners, reduce the potential tax expenditure, but still encourage non-givers to start gifting.

Private Ancillary Funds

Individual giving has already been increased in Australia through the introduction of ancillary funds. The Productivity Commission's *Future Foundations for Giving* report found that by 2021, 27% of individual gifting was being managed through ancillary funds.

These funds are only required to distribute a minimum of their invested donations per year, with the rest spent on growing the fund and administrative costs. The report recommends the minimum distribution required of private ancillary funds be set at between 5% and 8% per year. This recommendation should be explored.

These opportunities are further explored in our submission to the Art of Tax Reform Summit, along with specific recommendations for the Commonwealth Government, which I attach to this letter.

Thank you for the opportunity to make this submission.

Yours sincerely

Monica Barone PSM
Chief Executive Officer

Attachment: City of Sydney Submission to NSW Government on Cultural Tax Reform