



art & facts

THE ARTS & TAX



a practical tax workbook for the arts sector



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INTRODUCTION

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Getting ready for GST

This workbook is to assist artists and arts organisations prepare for and administer The New Tax System.

From 1 July 2000, GST will affect everyone in Australia in some way. The changes to the tax system will require most of us to make changes to the way we carry out our arts business.

This workbook is relevant to all artists and arts organisations:

- > whatever your form of arts practice
- > whatever your location, size, form of incorporation, management group, staffing structure, administration and computer systems
- > whether you provide a range of *other* non-arts services

This manual is to help you:

- > understand how tax reform may affect you and arts organisations
- > plan how to get ready for GST and other changes to the tax system
- > comply with the new tax legislation properly and on time

Spend some time now:

- > working out the issues for you and your organisations and
- > deciding exactly what you need to do to respond to the new business environment

The Australia Council knows there has been debate in the arts sector about changes to the tax system. There will continue to be debate about the tax system because it is important to every activity in the community in some way. This workbook and program isn't part of that debate (which the Council has been active in) but is about direct and practical help for the arts.

We stress that by encouraging artists and artswriters to be business savvy, it isn't advocating that artists sell-out their work or integrity.

How to use this workbook

This workbook can be used the way that suits you. The checklist, glossary of key terms and a list on where to go for help gives you a quick overview.

The case studies, included in the sleeve pocket, give real life snapshots of how a range of artists and organisations fare under GST.

Use the table of contents to find sections you want at any time.

The Workshop Notes section was designed to be used during the series of Australia Council workshops. Even if you haven't been to a workshop, this is still useful to work through.

Please don't panic or be put off by the size of this workbook. It includes a lot of detail so it is a comprehensive tool for everyone. Even the best tax experts can take six hours to read this book cover to cover. Other people might take several days, if they read every section.

Remember that some tax issues are technical and can be complex. Don't feel dispirited - artists' and artworkers' skills include tackling challenges and you can work things through, especially if you seek help from the advisory services that are available.

In this book examples of different forms of art are used only as examples. We hope the workbook is relevant to all disciplines and areas of practice.

About this workbook

GST Basics

This section explains the basics of the new Goods and Services Tax and introduces some of the most important aspects of The New Tax System.

Workshop Notes

These notes relate to the workshops supported by the Australia Council. They can be of value even if you don't attend a workshop.

Business Issues

This section explains how The New Tax System relates to business processes and how they may need to be adjusted.

Arts Issues

How GST impacts on you will depend on the flow of money into and out of your arts business. The important factors are: the particular combination of services you provide, and how much you charge for them; whether you receive grants or raise funds in other ways; what goods and services you buy, and who from; how you organise your finances; and the contracts you have.

The GST legislation also contains special conditions for charitable organisations.

GST will impact on and be affected by:

- > your income
- > your expenditure
- > your accounting systems
- > your cash flow and
- > your contracts

Knowing in what ways your arts business is affected will help you make well-informed decisions about getting ready for The New Tax System.

Actions

The sample formats, planning guides and checklists will help you adapt your business's systems and processes to:

- > comply with GST legislation
- > use your resources wisely
- > avoid financial and management problems.

Glossary

- > Contacts for further information and help making changes
- > Sources of useful written information, including internet sites
- > Definitions of GST terms and concepts

This workbook is a practical resource for you, your business, staff and volunteers. It contains information and practical tools to help you make decisions and put these into practice.

You can use this workbook to help you:

- > decide what you need to do and when
- > set up systems that help you comply with the GST legislation
- > inform yourself and others in your organisation about the GST

The workbook adapts and builds on ideas in *The GST and Business Skills: an Action Guide* (available from the GST Start-Up Assistance Office). This workbook is designed to be of particular relevance to artists and arts organisations.

Keep up to date

Tax legislation is subject to review, change and varied interpretation.

When this manual was written in March 2000, some parts of GST legislation had not passed into law and other issues about GST and charitable organisations were still being considered.

Where the legislation is not clear, the Australian Taxation Office (ATO) can make rulings about how the law will be interpreted and applied. Rulings are legally binding.

Over time there may be changes to some of the details contained in this workbook. It is very important that you:

- > consult the wide range of resources available (if possible keep an eye on websites - these are updated frequently and will have details of newly published information)
- > talk to your own accounting and legal advisers about your business's particular needs
- > seek advice from the ATO when GST legislation, or how it applies to your situation, is not clear to you

Customise for your needs

You might find it helpful to:

- > adapt the Actions to suit your particular needs
- > add in copies of procedures and formats already developed by your organisation
- > keep new information about GST, and records of how you have solved problems with implementing GST, with this workbook

Look in the sources of information and help to find details about:

- > other written materials and websites
- > the ATO and other government organisations that can assist you with tax questions

FOREWORD

Foreword

On behalf of the Australia Council I am pleased to present this workbook for the Arts sector on The New Tax System.

The workbook has been produced specifically for individuals and organisations working in the arts and cultural sector. To accompany this workbook, the Australia Council is presenting a series of workshops across Australia.

The GST Arts Start-Up Program will provide publications and other resources for use to understand and apply the changes which The New Tax System requires, and will also assist you in making the best decisions about how to organise your arts business successfully under the new system.

The Council has undertaken extensive consultation with artists, performing arts companies, and those working in community cultural development in both regional and metropolitan areas nationally. The Council is grateful for the assistance and advice provided by each of the States, the ACT and the Northern Territory as to the needs of their communities, as well as their help with the delivery of this program.

The Australia Council's GST Arts Start-Up Program is funded by the Federal Government's GST Start-Up Assistance Office.

GST is the key part of The New Tax System affecting the way we do our business in the arts and cultural sectors. The other significant change is the Pay As You Go (PAYG) system, which replaces a number of previous payment and reporting systems such as Pay As You Earn (PAYE) and provisional tax.

However, the new system is not just about tax, but also about the way we structure our arts businesses overall. This includes the relationships we set up with other individuals, organisations, our members, our performers, our audiences and with those to whom and from whom we provide services. No individual or organisation is exempt from these changes.

The Australia Council's Program aims to provide a solid foundation for the arts community to not only comply with the changes, but to effect them in a way that strengthens your arts business.

Jennifer Bott

*General Manager
Australia Council*

IMPORTANT INFORMATION CONCERNING THIS WORKBOOK

This material is provided under the Commonwealth's GST Start-up Assistance Program, and is designed to provide general information on GST and on business skills, practices and processes necessary to operate with GST, focussed on small and medium enterprises in the community and education sectors. Because business circumstances can vary greatly, the material is not designed to provide specific GST or business advice for particular circumstances.

Also, because aspects of GST are complex and detailed, the material is not designed to comprehensively cover all aspects of GST as it applies to small and medium enterprises and the community and education sectors. Further, the laws implementing GST, and rulings and decisions under those laws, may change.

This material provides general information current as at March 2000. At the time of writing, the Government had introduced a wide range of amendments, some technical, and others affecting the operation of specific aspects of GST. While these amendments had passed through the Parliament, they had yet to receive Royal Assent and become law. The material compiled herein does not include these proposed changes nor any other likely changes.

In addition, a series of rulings and draft rulings have since been released. Again, these have not been incorporated into this information.

The material has been compiled to assist the participants' understanding of GST. It is not intended that the material provide advice and should not be relied on as such. Professional advice should be sought prior to actions on any of the material contained herein. The material is divided into sections which represent a cross-section of general subjects relevant to most arts businesses. To this end, the material does not seek to cover the full range of Tax issues that may confront the arts industry from time to time, or issues that are specific only to one or a limited number of sectors within the industry.

The Tax concepts explained in the material are intended to provide a general basis from which to begin dealing with such complex matters, or represent necessary building blocks to other material in this workshop program.

Before you rely on this material for any important matter for your business, you should:

- > make your own enquiries about whether the material is relevant and still current
- > whether it deals accurately and completely with that particular matter
- > as appropriate, seek your own professional advice relevant to that particular matter.

This material is provided on the understanding that neither the Commonwealth or its personnel, nor any other organisation or person involved in developing or delivering the GST Start-Up Assistance Program, is thereby engaged in providing professional advice for a particular purpose.

These limitations and warnings also apply to information based on this material presented at any seminars or workshops provided as part of the GST Start-Up Assistance Program.