25 January 2024

The Hon Stephen Jones MP
Assistant Treasurer and Minister for Financial Services
C/- The Treasury
Langton Crescent
PARKES ACT 2600

Dear Assistant Treasurer,

2024-25 Pre-Budget Submission

Live Performance Australia (LPA) welcomes the opportunity to make a submission to the 2024-25 Budget on behalf of Australia's $4.7 billion live performance industry. LPA represents 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). LPA's membership covers all performing art forms, companies of all sizes, as well as not-for-profit and commercial entities.

There were 24 million ticketed attendances at live performance events in 2022 generating $2 billion in ticket revenue. The return of audiences in 2022 followed two years of closure and disruption across our industry, including extended periods of lockdown in our largest markets of NSW and Victoria.

Our industry is continuing to rebuild from the impact of the pandemic, while confronting significantly higher input costs across the board (on average, a 30-40% increase), critical skills shortages, and changes to consumer behaviour caused by the pandemic and the current cost of living crisis. The Commonwealth and state and territory governments provided valuable support to our industry during the pandemic. This assistance has concluded while many businesses and organisations are still dealing with the longer-term impacts of pandemic disruption while managing more recent challenges.

The measures proposed in our submission are designed to address critical short-term imperatives including skills and training, rebuilding financial reserves and support for national and international touring, as well as putting in place strategic measures that will drive private and public investment, improve financial sustainability and expand audiences for Australian creative product.

The Government's National Cultural Policy (NCP) was a landmark statement of purpose on the importance of our cultural and creative industries and their potential to enrich the lives of Australians, economically, socially and culturally. The policy included the welcome return of funding to Creative Australia that had been lost in previous budgets.

Importantly, it also recognised there needed to be a whole of government effort in its delivery. The proposals contained in this submission cover a range of portfolio areas including Treasury, education and training, regional development and foreign affairs. All areas of government have a role to play in supporting a strong, dynamic and diverse live arts and entertainment industry.

Our submission identifies opportunities for additional investment to deliver and build upon the objectives set out in the NCP and which will further strengthen the industry's potential to deliver significant economic, social, and cultural benefit for all Australians.

SUMMARY OF LPA BUDGET REQUESTS

LPA urges the Government to support the live arts and entertainment industry in meeting the NCP's ambitions by:

- providing incentives for new investment
- supporting national and international touring
- fostering audience development.

A summary of LPA's Budget Requests, including how they relate to the strategic goals of the NCP, is provided below and in **Attachment 1**.

INITIATIVE	BUDGET IMPACT
INVESTMENT INITIATIVES to support NCP Pillar 4: Strong Cultural Infrastructure	
1. **Introduce tax incentives to offset pre-production costs of live theatre** to assist Australian producers (commercial theatre and not-for-profit companies) attract investment in an internationally competitive market.	**Cost neutral when tax incentives are set between 25%-40%**
2. **Support Creative Australia** to deliver on objectives and ambition of the NCP through:	
a) **Industry-led traineeships to address critical skill shortages** across the Australian arts and entertainment industry.	**a) $3.5m pa for 3 years**
b) **Industry-led initiatives to improve safe workplaces.**	**b) $1m pa for 3 years**
c) An industry-specific **Employee Assistance Program.**	**c) $2m pa for 3 years**
d) New investment to broaden and strengthen the **National Performing Arts Partnership Framework.**	**d) $35m pa for 3 years**
e) ***Reserves Rebuild Fund*** to enable companies to rebuild financial reserves. Would be **matched by the states and territories (ie $50m over 2 years)** and enable companies to move quickly to sustainable financial settings.	**e) $25m over 2 years**
f) Increasing support to the **small to medium sector,** in line with the NCP, through **additional investment in 4-Year Investment for Organisations Program** and other initiatives.	**f) Additional $30m over 4-Year Program**
3. **Incentivise donations to Deductible Gift Recipient (DGR) organisations** by:	
a) **increasing tax deduction donors can claim to 1.5x amount of gift** (currently 1x amount of gift); <u>OR</u>	**a) Increase tax deduction to 150%**
b) establishing a **special purpose fund to match donations**, capped to $30m for 3 years.	**b) $30m over 3 years**

4.	**Commission a review to extend Public Benevolent Institution (PBI) status to a broader range of arts and cultural institutions,** eg those supporting accessibility, young people, First Nations communities and education.	**Complete by November 2024**
TOURING INITIATIVES to support NCP Pillar 5: Engaging the Audience		
5.	**Double current investment in *Playing Australia: Regional Performing Arts Touring Fund*** to ensure it is fit for purpose for the next decade. Review eligibility and scope including allowable costs, intrastate touring and extension to include commercial companies.	**Additional $8.2m pa**
6.	**Establish 'Playing the World' Export Development Program.** Would be sector specific and address current deficit of Australian cultural product being exported.	**$15m pa for 3 years**
AUDIENCE DEVELOPMENT INITIATIVES to support NCP Pillar 2: A Place for Every Story		
7.	**Establish 'See it Live for Young People' – a targeted program of performing arts passports/vouchers** to reduce financial barriers for young audiences (eg age 12-30). Could subsidise Arts Education for Young People, including a Schools Outreach Program.	**$35m pa for 3 years**
8.	**Introduce a Regional Audience Engagement Fund,** with two streams to cover (a) venue capability, maintenance and accessibility and (b) programming, marketing and presenting cultural product to regional audiences. Partnership model with local government and Commonwealth.	**$20m pa for 3 years**

Once again, we thank you for the opportunity to present this submission for consideration in the Budget process. Should you have any queries regarding the information provided, please do not hesitate to contact Kim Tran (ktran@liveperformance.com.au) via email or telephone.

Yours sincerely,

Evelyn Richardson
Chief Executive
E erichardson@liveperformance.com.au
M 0407 303 646

Kim Tran
Director, Policy & Governance
E ktran@liveperformance.com.au
M 0411 640 453

ABOUT LPA

LPA 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 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.

LPA has a clear mandate to advocate for and support policy decisions that benefit the sustainability and growth of the live arts and entertainment industry in Australia.

LIVE PERFORMANCE AUSTRALIA

LPA 2024-25 PRE-BUDGET SUBMISSION

DRIVING INVESTMENT

1. TAX INCENTIVES

Budget request 1:

Introduce tax incentives to offset pre-production costs of live theatre productions to assist Australian producers (commercial and not-for-profit) attract investment in an internationally competitive market.

This proposal is cost neutral to government when tax incentives are set between 25%-40%.

In a post-pandemic world, competition for investment funding is fierce and markets that incentivise investment in theatre have a significant competitive advantage. Access to such investment is vital to ensure the industry can confidently rebuild, remain sustainable and create more employment for Australians. As urged in previous pre-Budget submissions, LPA strongly advises the Government to introduce live theatre tax incentives equitable to those offered for other creative industries in Australia.

Within Australia, theatrical producers compete for investment against other industries, notably digital games, film and TV, where the Federal Government provides tax incentives that allow game developers and screen producers to offset development/pre-production costs on qualifying expenditure. The tax offsets range between 30-40%, depending on the type of activity.[1]

The 2023 Olsberg SPI Report found that Australia's three screen offsets (Producer Offset, Location Offset, PDV Offset) generated $16.6 billion in economic output from 2018/19 to 2021/22. In 2021/2022 alone, the three offsets supported 20,600 FTE jobs. Further, of the 10 international production companies responsible for nearly 90% of foreign production expenditure between 2018/19 and 2021/22, all indicated that they would not have undertaken productions in Australia without the Location Incentive (grant and offset).[2]

Currently, Australia is unattractive to local and global investors and theatrical producers are at a significant competitive disadvantage. Australia's live theatre industry needs a similar regime of tax incentives, to attract the level of investment required to produce and stage world-class shows, support more Australian jobs and drive industry growth.

International markets are more attractive for investors as they provide tax incentives. For example, the UK offers cultural tax reliefs for theatre, orchestra and museums/galleries. These form part of a broader scheme of creative tax reliefs for film, animation, television and video games. Commercial, publicly funded (subsidised) and not-for-profit organisations are eligible and can benefit from the tax reliefs.

The UK Government increased the cultural tax reliefs as part of its COVID recovery strategy. These higher rates were extended for another two years until 1 April 2025, to "continue to offset current pressures on

[1] The screen industry Producer Offset provides a 40% producer tax offset for feature film production; and a 30% (increased from 20%) producer tax offset on other eligible projects (such as programs produced for television or a subscription service). The Digital Games Tax Offset provides 30% tax offset on the development of new games or the expansion of existing eligible games

[2] Olsberg.SPI (2023) *Study on the Impact of Film and Television Production Incentives in Australia* (p.32)

these industries and boost investment in our cultural sectors."[3] This recognises the role of theatres, orchestras and museums in attracting tourists, creating more jobs and developing world class productions.[4] Theatrical producers in the UK reported that the Theatre Tax Relief (TTR) scheme has improved their ability to finance new productions, resulting in more investment, employment and innovative risk-taking.[5] It has also helped maintain a thriving performing arts sector at a time where public funding is under pressure.[6]

Australia must ensure it can secure investment for licensed productions that bring significant multiplier effects (i.e. *Harry Potter and the Cursed Child*, *Moulin Rouge! The Musical*, *Hamilton*), and capitalise on the opportunity to invest in new Australian intellectual property, which can drive local economic activity, create jobs and ultimately be exported. *Moulin Rouge! The Musical* (which won 10 Tony Awards and opened in Melbourne in November 2021 after coming from New York City) is a classic example of a show that should have been developed here but was instead developed in the US due to tax incentives provided for development and pre-production costs. LPA's Members are also undertaking set building/development offshore to make use of international tax incentives.

Economic analysis undertaken by Ernst & Young (EY) found that investment incentives would encourage commercial producers and subsidised organisations to produce more local work, and therefore increase economic activity. Modelling estimated that a 40% tax incentive would support 555 new productions, generating an additional $1.2 billion in industry turnover, an additional $540.1 million in industry value add and 4,650 additional jobs.

Any expenses incurred by government would be recovered through taxes earned on increased economic activity generated by the industry and allied industries (tourism, hospitality, retail etc.). EY's analysis indicates the Australian government would see a net positive return on investment by providing investment incentives on pre-production costs for live theatre productions when tax incentives are set between 25% and 40%.[7]

A detailed proposal can be found at Attachment 2. This provides more information on the background and context, key issues, domestic and international examples, and a proposed model. Case study examples of costs and investment sources for touring and non-touring productions are also provided.

2. CREATIVE AUSTRALIA UPLIFT

Budget request 2:

Provide Creative Australia with additional funding for live arts and entertainment initiatives, including:

- **Industry-led traineeships** to address critical skill shortages **($3.5m pa for 3 years)**
- **Industry-led education and training programs** to improve safe workplaces **($1m pa for 3 years)**
- **Industry-specific Employee Assistance Program ($2m pa for 3 years)**
- New investment to broaden and strengthen the **National Performing Arts Partnership**

---

[3] HM Revenue & Customs (2023), Two year extension of higher rates for theatre, orchestra, and museums and galleries exhibition tax reliefs, accessed online: Two year extension of higher rates for theatre, orchestra, and museums and galleries exhibition tax reliefs - GOV.UK (www.gov.uk)

[4] The Stage, Media Release (15 March 2023), Theatre Leaders Hail 'Game-Changing' Extension to Theatre Tax Relief, accessed online: Theatre leaders hail 'game-changing' extension to Theatre Tax Relief (thestage.co.uk)

[5] Society of London Theatre, Media Release (11 May 2016), Ticket Relief News, accessed online: https://uktheatre.org/theatre-industry/news/tax-relief-news/; The Stage (21 July 2017), Theatre tax relief brings savings to nearly 2,000 shows, accessed online: https://www.thestage.co.uk/news/2017/theatre-tax-relief-brings-savings-nearly-2000-shows/

[6] Arts Professional (27 July 2018), Theatre tax relief payouts rise by two thirds, accessed online: https://www.artsprofessional.co.uk/news/theatre-tax-relief-payouts-rise-two-thirds

[7] Ernst and Young (2016), *Investment support for the live performance industry, Report for Live Performance Australia*

Framework ($35m pa for 3 years)
- **A *Reserves Rebuild Fund* ($25m over 2 years, $50m with matched state/territory investment)**
- Increased support to **small to medium sector,** in line with the NCP, through additional **investment in 4-Year Investment for Organisations Program** and other initiatives **(Additional $30m over 4-Year Program)**

The creative and cultural industries play a crucial role in our society – they make us healthier and foster inclusive and vibrant communities – and are a significant economic and social contributor. They are a direct driver of economic activity, jobs, and cultural tourism and have higher multiplier effects on other industries in terms of total output, value-add and employment. This is more important than ever in a cost-of-living squeeze and the aftermath of COVID-19, where the global economy is under significant stress.

The importance of investing in Australia's cultural assets is outlined in **Pillar 4** of the NCP (Strong Cultural Infrastructure). Specifically, the Government has committed to "increase funding to the newly established Creative Australia to support more small and medium arts organisations and drive the development of new artistic works of scale." Additionally, under **Pillar 3** (Centrality of the Artist), the Government intends to deliver funding and initiatives to manage psychosocial and sexual harassment risks in the workplace. [8]

As such, LPA seeks additional funding for Creative Australia to implement the following initiatives. This new investment is required to meet the significant ambitions of the NCP and assist the industry in recovering from 'long-covid' impacts.

CREATIVE WORKPLACES

a) Fund industry-led traineeships to address critical skills shortages ($3.5m pa for 3 years)
Uncertainty and significant job losses during the pandemic have exacerbated skill shortages. Many professionals left the industry for more job security or have moved internationally to pursue opportunities. In a worst-case scenario, shows are now being cancelled due to lack of suitability qualified workers. Prior to COVID-19, the industry consistently raised concerns over a shortage of technical workers (e.g., sound and lighting), particularly in regional areas. In 2022, LPA Member surveys confirmed that shortages had expanded to include crew (audio, visual, lighting, stage and set construction), production (company, stage and event management, wardrobe and design) and front of house roles in both metropolitan and regional areas. The 2023 National Skills Priority List and the 2024 Apprenticeships Priority List confirm a national shortage of sound and lighting technicians. While many LPA Members are willing to provide practical training to address these critical shortages, they are constrained financially from doing so. As noted under **Pillar 1** of the NCP (First Nations First), there is a specific need to address training and skills in First Nations arts jobs. To address this, LPA also recommends ongoing support for Creative Australia's delivery of the *First Nations Arts and Culture Strategy 2023-27*.[9]
b) Fund industry-led education and training programs to improve workplace safety nationally ($1m pa for 3 years)
More work is needed to continuously drive cultural change and maintain safe creative workplaces, particularly in light of the findings of the 2022 Music Industry Review.[10] LPA's national implementation of our Code of Practice to Prevent Workplace Discrimination, Harassment, Sexual Harassment and Bullying

[8] Australian Government (2023) *National Cultural Policy – Revive: a place for every story, a story for every place* (pp.101-104)
[9] Australia Council for the Arts (2022) *First Nations Arts and Culture Strategy 2023-2027*
[10] MAPN Consulting (2022) *Raising Their Voices*. Available at: https://musicindustryreview.com.au/

clearly showed that practical training was critical to driving cultural change and ensuring better understanding of workplace safety requirements. As such, LPA recommends investment in industry-led training and education programs to improve workplace safety. LPA welcomes the Government's commitment in this area with the establishment of Creative Workplaces. We look forward to working alongside Creative Workplaces to achieve its objectives. However, currently the entity has no investment available for training and education. LPA believes this will be critical to ensuring safe workplaces.	
c) Establish an industry-specific Employee Assistance Program to support workplace mental health and wellbeing ($2m pa for 3 years)	
Compared to the general population, workers in the live arts and entertainment industry are 4x more likely to experience psychological distress, and 4.5x more likely to have suicidal thoughts, with 1/10 acting upon these thoughts.[11] Despite this, mental health support is limited to a minority of workplaces. While many large companies offer their workers access to support programs such as an Employee Assistance Program, these resources do not exist for independent workers and workers at small to medium companies due to cost barriers. LPA acknowledges the value **Support Act** services provide for the music industry. It is vital that the Government continue to invest in such services, including for live performance more broadly, to improve the wellbeing and future resilience of workers.	

CRITICAL CULTURAL ASSETS

d) New investment to broaden and strengthen National Performing Arts Partnership Framework ($35m pa for 3 years)	
Strong cultural institutions are vital infrastructure assets for cultivating a vibrant, dynamic and diverse arts and entertainment industry. For a cultural organisation to be 'strong', it needs to be financially stable. Funding through the National Performing Arts Partnership Framework (NPAPF) has not kept pace with rising costs nor population growth and is based on a model that is now more than two decades old. New investment in the NPAPF would support the broadening and strengthening of this critical program, including the opportunity for more organisations to aspire to joining the framework. Financial sustainability enables organisations to develop new work and audiences, employ people and deliver broader social and economic benefits through their education and engagement activities. Additional funding would allow for additional investment in priority areas, such as: new Australian works, education programs, audience development, increased accessibility, and addressing regional imbalances (e.g. Queensland, Western Australia and the regions).	
e) Establish a *Reserves Rebuild Fund* to enable companies to rebuild their financial reserves ($25m over two years matched by state and territory governments)	
Many companies have significantly depleted their financial reserves due to not being able to generate income during the pandemic. It is important that companies rebuild their reserves so that they can weather future black swan events and continue to play their significant role as employers and content creators/producers. Companies with a healthy financial position also have greater flexibility to take artistic risks, employ people and deliver programs that contribute towards broader goals (e.g. industry development, community engagement, diversity). LPA recommends Creative Australia be supported to establish a *Reserves Rebuild Fund* to incentivise companies to rebuild their reserves ($25m over two years). The fund could be matched by state and	

[11] Support Act (2022) *Mental Health and Wellbeing in Music and Live Performing Arts*. Available at: https://supportact.org.au/mental-health-survey/

territory governments to total $50m and would enable companies to move quickly to sustainable financial settings. A similar scheme was established following the 1999 Nugent review.

SMALL TO MEDIUM ORGANISATIONS

f) Increase support to small/medium sector in line with NCP, through additional investment in 4-Year Investment for Organisations Program and other initiatives. (Additional $30m for 4-Year Program)

Demand for the current 4-Year Funding Program far exceeds available investment. There is a sizeable cohort of organisations that are assessed as suitable for funding which miss out due to limited funding. Others who succeed in their funding bids may not receive the total amount of funding requested to deliver their programs. Our small to medium organisations are diverse and innovative in the works they create and the audiences they engage. They provide opportunities for new and emerging performers and creators to bring their works to life. They also provide the training ground for many industry workers to develop skills which are transferable across the industry.

LPA recommends that Creative Australia be supported to double the investment of the funding program. This increased investment should be used to (a) increase the amount of funding available to each organisation and (b) expand the program's reach to include more small and medium organisations.
As noted, this will assist the Government in delivering on actions under **Pillar 4** of the NCP. Specifically, to "increase funding to the newly established Creative Australia to support more small and medium arts organisations and drive the development of new artistic works of scale."

3. TAX DEDUCTABLE DONATIONS

Budget request 3:

Incentivise donations to Deductible Gift Recipient (DGR) organisations by:

(a) **increasing tax deduction donors can claim to 1.5x amount of gift** (currently 1x amount of gift);

OR

(b) establishing a **special purpose fund to match private donations** to a capped amount, for a period of 3 years. **($30m over 3 years)**

Certain cultural organisations (i.e. registered charities) are eligible for DGR status, meaning they can receive tax deductible gifts.[12] There are approximately 25,000 charities (40% of charities) with DGR status for some or all of 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. Charities with revenue under $250,000 generally receive 40% of their total revenue from donations.[13]

Under **Pillar 4** (Strong Cultural Infrastructure) of the NCP, the Government has identified the need to promote philanthropic giving.[14] However, more work is needed to meet the Australian Government's commitment to doubling giving by 2030.[15] The Productivity Commission 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 also compares unfavorably 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%).[16]

[12] Australian Government ABR, *Deductible Gift Recipients*. Available at: Deductible gift recipients | ABN Lookup (business.gov.au)
[13] Australian Government Productivity Commission (2023) *Future Foundations for Giving: Draft Report* (p.6)
[14] Australian Government (2023) *National Cultural Policy – Revive: a place for every story, a story for every place* (p.66)
[15] Australian Government Productivity Commission (2023) *Future Foundations for Giving: Draft Report* (p.3)
[16] Philanthropy Australia (2023) *A Strategy to Double Giving by 2030 – Philanthropy Australia's Submission to the Productivity Commission*

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 $1000 they can claim $1000 as a tax deduction (1x the donation amount).[17] Allowing them to claim $1500 (1.5x the donation amount) would greatly incentivise donations. This model has been implemented in Singapore, where individuals receive $2.5 deductions from their taxable income for every $1 donated (2.5x the donation amount).[18]

The benefit of this approach is that it encourages a culture of private donations in the arts and entertainment sector. It would also make giving more appealing to individuals from lower income brackets. This will ensure the sector is economically sustainable in the long term.

Alternatively, a special purpose fund could be established to match private donations. This could be set to a capped amount to provide certainty for Government.

LPA also supports the Productivity Commission's recommendation for the establishment of an independent philanthropic foundation controlled by – and for the benefit of – Aboriginal and Torres Strait Islander communities to enhance the arrangements linking philanthropic networks to Aboriginal and Torres Strait Islander organisations (including First Nations performing arts organisations).

4. PUBLIC BENEVOLENT INSTITUTIONS (PBI)

Budget request 4:

Commission a review to extend PBI status to a broader range of arts and cultural organisations, including those supporting accessibility, First Nations communities, youth and education.

Presently, there are over 11,000 registered PBIs in Australia.[19] 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
- 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 DGR and can apply for charity tax concessions, including income tax exemptions.[20] Being income tax exempt means that smaller not-for-profit organisations can provide more attractive salaries to employees. This increases their ability to attract and retain skilled workers, which is particularly important given the current skills shortages across the industry.

LPA recommends that the Government commission a review/working group to investigate an extension of the arts and cultural organisations that can register as a PBI. For example, by expanding the definition of benevolent relief to include more live performance organisations that support accessibility, young people, First Nations communities and education. An advantage of this approach is that it can build upon existing frameworks and processes to strengthen sector capability. Work to investigate the details and implementation of this extension could be undertaken with existing departmental resourcing and be informed by expert advice from Creative Australia.

[17] ATO, *Gift Types and Conditions.* Available at: Gift types and conditions | Australian Taxation Office (ato.gov.au)
[18] Inland Revenue Authority of Singapore, *Donations and Tax Deductions.* Available at: IRAS | Donations and Tax Deductions
[19] Australian Government ACNC, *Charity Register*. Available at: Search for a charity | ACNC
[20] Australian Government ATO, *Tax Concessions for not-for-profits.* Available at: Tax concessions for not-for-profits | Australian Taxation Office (ato.gov.au)

TOURING

5. PLAYING AUSTRALIA

Budget request 5:

Double the current investment in *Playing Australia: Regional Performing Arts Touring Fund* to ensure it is fit for purpose for the next decade. **(Additional $8.2m pa)**

Under **Pillar 5** of the NCP (Engaging the Audience), the Government has committed to "continue activities and programs that support live performance, festivals and touring, including in regional areas."[21] To support this action, LPA urges the Government to increase investment in *Playing Australia* to ensure it is fit for purpose for the next decade. This fund is administered by Creative Australia and supports performing arts companies by helping to meet the high costs associated with touring live productions to regional and remote locations. Support for regional touring allows presenters to develop and access new audiences, offers numerous employment opportunities and facilitates audience engagement with a diverse range of touring product.

LPA's Members have consistently raised the issue of rising touring costs, both within Australia and internationally. In June 2023, the ACCC found that average revenue per airline passenger and discounted economy airfares remain higher than pre-pandemic levels, despite adjusting for inflation.[22] The Australian Consumer Price Index (CPI) found that the most significant price rise from June Quarter 2023 to September Quarter was automotive fuel (+7.2%), with broader transport costs rising 5.6% over a 12-month period.[23] Average hotel room rates increased in all major cities from 2019 to 2022, most notably in Darwin (by 42%) and Brisbane (by 35.9%).[24]

Across the board, touring costs have risen by approximately 30%-50% since the pandemic. As funding has not kept up with inflationary costs, this essentially equates to a 30%-50% cut in funding available. Rising costs have also increased demand for the increasingly limited funding on offer.

This has negatively impacted resourcing available to companies for their core business. It has also led to reductions in their regional touring footprints and the number of shows per venue, as many venues can no longer afford to bridge the gap between touring expenses for the producer and their own performance fees. As an example, some LPA Members have already had to cut their regional touring programming by 25% and expect that this will increase to 50% by 2026. Additionally, some shows are now cutting cities such as Canberra and Adelaide out of their touring network, focusing primarily on Sydney, Melbourne and Brisbane. This will only further add to the rapid closure of venues, noting that 1,300 live music venues have already been lost since the pandemic.[25]

Government will need to fund this gap if it expects regional touring to be delivered at a rate that the market can no longer deliver alone. It will not be feasible to provide Australian communities with the shows and jobs they want without further investment. Instead, companies will increasingly be required to focus on non-touring shows or commercial, capital city touring. **Urgent investment is needed to ensure the volume and reach of regional touring does not continue to decrease.**

Increased investment will reduce the shrinking touring footprint and encourage activities and programs that support live performance, festivals and touring, including in regional areas. This will provide job

[21] Australian Government (2023) *National Cultural Policy – Revive: a place for every story, a story for every place* (p.105)
[22] ACCC. (June 2023) *Airline Competition in Australia*. Available at Airline monitoring final report (accc.gov.au)
[23] Australian Bureau of Statistics (October 2023) *Consumer Price Index Australia: September Quarter 2023*. Available at Consumer Price Index, Australia, September Quarter 2023 | Australian Bureau of Statistics (abs.gov.au)
[24] Colliers. (2022) *Australian Hotel Investment Market: H1 2022.* Available at Colliers | AU | Australian Hotel Investment Market: H1 2022
[25] APRA AMCOS. (2023) *Year in Review*. Available at: APRA AMCOS

creation, economic development and wellbeing benefits for regional communities and deliver on the goals of the NCP. It will also reduce financial barriers for audiences, by mitigating the risk of rising ticket prices to absorb costs. An additional benefit will be the increased ability for touring companies to adopt more environmentally conscious touring practices and carbon offsetting.

Alongside increased funding for *Playing Australia*, LPA also recommends a review of the eligibility and scope, including: allowable costs; intrastate touring; and extension to include commercial companies. This will allow more organisations to expand their touring footprint so that more Australians can access a diverse range of live performances and job opportunities.

6. 'PLAYING THE WORLD' EXPORT DEVELOPMENT PROGRAM

Budget request 6:

Establish an international performing arts export development program to address the current deficit in export of Australian cultural product. **($15 pa for 3 years)**

Pillar 5 of the NCP (Engaging the Audience) commits to strengthening arts collaboration and exchange and cultural diplomacy, supporting activities that promote the Government's international arts and cultural engagement, creating more audiences across the Indo-Pacific and growing markets for cultural and creative exports.[26]

Showcasing Australian productions on the world stage can build new audiences for Australian creative talent, strengthen Australia's brand as a creative nation and boost inbound tourism. It also plays a significant role in cultural diplomacy, allowing us to build stronger connections with other countries and cultures, and improve international relations. For Australian creatives, performers and technicians, international touring provides them with new professional experiences, which they can then feed back into the industry on return.

The costs to tour productions internationally are high and have contributed to a deficit in export of Australian cultural product. **This issue can be address by establishing an international performing arts export development program**. The export program could build on the Sounds Australia Export Stimulus Program. Sounds Australia's program provides targeted support to Australian artists, crew and music professionals to boost Australia's music export activity. Grants are awarded for visas, international freight and carnets, pre-tour rehearsals, artist manager and music industry representative travel costs, COVID compliance consumables, and insurance and other COVID increased premiums.[27]

LPA recommends that the international performing arts export development program be:

- auspiced in Creative Australia
- open to any Australian product (in both the subsidised and commercial sector) that supports Australia's NCP and cultural diplomacy objectives
- sector specific, offering different streams for theatre, dance, classical music etc. – to allow eligibility requirements, support and KPIs to be tailored to each of the differing genres
- monitored by measuring and reporting on the established KPIs at the end of a 3-year period

[26] Australian Government (2023) *National Cultural Policy – Revive: a place for every story, a story for every place* (p.93)
[27] Sounds Australia, *Export Stimulus*. Available at: Program Information | Sounds Australia | Fast Tracking Australian Music Success Globally

- focused on meeting the goals of the NCP by investing in global market and export development, profiling of Australia's unique stories aligned with Australia's Nation Brand, and strengthening arts collaboration and exchange on a global scale.

An export program would have significant benefits for Australia's international reputation and cultural profile, furthering opportunities for international investment in Australia's live performance sector. It would also advance Australia's trade diversification agenda to expand trade networks, including through growing markets for cultural and creative exports. The greatest reputational and economic benefit can be achieved by implementing this export program alongside tax incentives for live theatre, as outlined in Budget Request 1.

AUDIENCE DEVELOPMENT

7. 'SEE IT LIVE' FOR YOUNG PEOPLE

Budget request 7:

Remove financial barriers to audience participation by establishing a targeted program of performing arts passports/vouchers for Australians aged 12-30 ('See It Live' for Young People). **($35m pa for 3 years)**

Pillar 2 of the NCP (A Place for Every Story) stresses the need to ensure "every person has access to their cultural rights and creative entitlement" as "arts and culture belong to everyone".[28]

Patternmakers' Audience Outlook Monitor for 2023 clearly demonstrates that economic pressures and pricing are limiting Australian spend on events. Financial reasons were listed as the top barrier to attendance, with younger audiences and families being the most impacted. The report noted that: "Financial barriers are affecting audiences across all age groups; however, they are most pronounced amongst under 35s, with 62% experiencing financial barriers to attending (up from 58% in October 2022), while only 30% of audiences over 55 are affected (down from 34%)."[29]

In June 2020, LPA advocated to the Select Committee on COVID-19 for a broader 'See It Live' voucher program, which was successfully taken up by numerous states (eg See it LIVE South Australia, NSW's Dine and Discover program, Victoria's Dining and Entertainment Program). The intention and result was to encourage Australians to attend live events, expand audience reach and generate economic activity.

LPA now proposes a similar approach to address the increasing financial barriers to audience participation amidst cost-of-living pressures. For example, through a **targeted national program of performing arts passports/vouchers for Australians aged 12-30**. This age range has been selected in line with Patternmaker's findings above. However, the program could begin with a more limited age range and expand over time. The program should be targeted to specific art forms (e.g. dance, theatre, classical music) to encourage audiences to try live arts and entertainment experiences they might not otherwise consider due to cost or lack of awareness.

Investment could also subsidise Arts Education for Young People, including a Schools Outreach Program to provide students with access to cultural products. This model could mirror and support existing programs such as the Education Program of Riverside Theatres Parramatta - where limited funding is available to subsidise schools from low socio-economic communities to access educational arts experiences.[30] At a

[28] Australian Government (2023) *National Cultural Policy – Revive: a place for every story, a story for every place* (p.38)
[29] Patternmakers (2023) *Audience Outlook Monitor: Audiences 2023+.* Available at Audience Outlook Monitor — Patternmakers (thepatternmakers.com.au) (p.29)
[30] Riverside Parramatta. *Education*. Available at: Education < Riverside Theatres (riversideparramatta.com.au)

national scale, this could provide significant benefits relating to audience development, equal access to educational experiences, work for theatres and future career/skills pipelines.

Cultural incentives targeted at young people are increasingly common overseas. For almost a decade, Italy's 18App has provided €500 in 'cultural coupons' to 18-year-old Italian citizens. In 2021, France implemented a national culture pass to provide 18-year-olds with €300 for cultural products and experiences. In 2022, Spain offered €400 vouchers to individuals turning 18 to improve young people's access to culture and support recovery of the arts sector. Germany's *Kulturpass* provided every German that turned 18 in 2023 a total of €200 to spend on cultural goods, experiences and events in response to lingering lockdown habits. Success depending, Germany's scheme may later be expanded to other age groups.[31]

8. REGIONAL AUDIENCE ENGAGEMENT FUND

Budget request 8:

Establish an investment fund for regional audience engagement, as a partnership model with local government and Commonwealth. **($20m pa for 3 years)**

LPA recommends that the Budget prioritise investment, innovation and revitalisation of regional Australia. In addition to support for shows touring *to* regional communities (see Budget Request 5: Playing Australia), it is essential that the Government foster venues, works and jobs *in* these communities. This aligns strongly with **Pillar 2** of the NCP (A Place for Every Story), under which the Government has committed to increasing support for regional arts and culture and investing in local arts and cultural infrastructure across Australia.[32]

A Regional Audience Engagement Fund would help to meet these ambitions and could be delivered through a partnership model between local governments and the Commonwealth Government. The fund will provide the most benefit if it allows a broad range of eligible expenditure to best meet the needs of each community. LPA recommends two funding streams, to support:

- **Venue capability, maintenance and accessibility**. This could include funding for upgrades to equipment and infrastructure. This will ensure that existing venues can remain fit-for-purpose and attract a greater variety of shows and audiences.

- **Programming, marketing and presenting cultural product/content to regional audiences.**

    - Support for programming costs will ensure regional venues can present the shows that their communities most want to see.

    - Marketing support will increase audience reach. It could also include support for community engagement and residencies to foster connections between community and creators.

    - Support for the presentation of cultural product/content in regional venues will encourage an increase in the number of shows that can be presented each year and the development of new works to expand audience reach. For example, meaningful investment in First Nations work could support the growth of First Nations audiences.

The proposed fund will also help to address skill shortages more broadly, as it will increase access to industry training and job creation outside major cities.

[31] Porter Anderson (13 July 2023), *Europe's Culture Vouchers for Teens*. Available at: [Europe's Culture Vouchers for Teens: The RISE Report (publishingperspectives.com)]
[32] Australian Government (2023) *National Cultural Policy – Revive: a place for every story, a story for every place* (p.99)

ATTACHMENT 1: SUMMARY OF LPA BUDGET REQUESTS

INVESTMENT — National Cultural Policy Pillar 4

1. Tax Incentives
Introduce tax incentives to offset pre-production costs of live theatre to assist Australian producers (commercial and not-for-profit) attract investment in a globally competitive market **(Cost neutral if set at 25% - 40%)**

Employment outcomes: Generate up to 4,650 new jobs and 555 new productions, increase industry skills base, new work areas for local markets eg set building in Australia, economic flow on effects, ancillary industry benefits eg tourism, hospitality and accommodation.
Cultural benefits: Investment in new Australian work, increase in touring, increased access for local audiences.

2. Significant Uplift to Creative Australia
Support Creative Australia to **deliver on objectives and ambition of National Cultural Policy.** Major initiatives for could be established as co-investment models with states and territories.

Creative Workplaces
- Industry-led traineeships to address critical skill shortages. **($3.5m pa for 3 years)**
- Industry-led education and training programs to improve safe workplaces. **($1m pa for 3 years)**
- Industry-specific Employee Assistance Program. **($2m pa for 3 years)**

Critical Cultural Assets
- New investment to broaden and strengthen National Performing Arts Partnership Framework. There has not been an uplift since 1999. Increasing costs equate to a 30-40% decline in funding in the last five years alone. Priority areas: new Australian work, education programs, audience development, increased accessibility, addressing historic vagaries and geographic imbalances ie underinvestment in QLD and WA. **($35m pa for 3 years)**
- *Reserves Rebuild Fund* to help companies rebuild financial reserves and ensure future sustainability. **($25m over 2 years, $50m with matched state and territory investments)**

Small to Medium Organisations
- Increase support to small to medium sector, in line with National Cultural Policy (p.104), through additional investment in 4-Year Investment for Organisations Program and other initiatives. Demand for current program far exceeds available investment. **(Additional $30m over 4-Year Program)**

3. Tax Deductible Donations
Incentivise donations to Deductible Gift Recipient (DGR) organisations by:
(a) **increasing tax deduction donors can claim to 1.5x amount of gift** (currently 1x amount of gift);

OR

(b) establishing a **special purpose fund to match private donations** (capped at **$30m over 3 years)**

Outcomes: Encourage philanthropic giving to increase industry sustainability and meet Government's commitment to double giving by 2030.

4. Public Benevolent Institutions (PBI)
Commission a review to extend PBI status to a broader range of arts and cultural institutions, including those supporting accessibility, young people, First Nations communities and education. Could be undertaken with existing departmental resourcing, with expert advice from Creative Australia.

Outcome of extending eligibility: Will support sector capability building potential, including to attract and retain skilled workers.

TOURING — National Cultural Policy Pillar 5

5. Playing Australia
Double current investment from $8.2m to $16.4m pa. **(Additional $8.2m pa)**

Repurpose *Playing Australia: Regional Performing Arts Touring Fund* to ensure it is fit for purpose for the next decade. Review eligibility and scope including allowable costs, intrastate touring and extension to include commercial companies. Support activities and programs that support live performance, festivals and touring, including in regional areas, in line with National Cultural Policy (p.105).

Outcomes: Reduce shrinking touring footprint, increase access to jobs and cultural product in regional areas, allow adoption of environmentally conscious touring practices.

6. 'Playing the World' Export Development Program
Establish an international performing arts export development program to address current deficit in export of Australian cultural product. **($15m pa for 3 years)**

Export program could be auspiced in Creative Australia, align with newly established Music Australia, and build on export program of Sounds Australia. Export program should be sector specific (ie theatre, dance and classical music) and invest in: global market and export development, profiling of Australia's unique stories aligned with Australia's Nation Brand, and strengthening arts collaboration and exchange.

Outcomes: Advance Australia's trade diversification agenda to expand trade networks, including growing markets for cultural and creative exports. Significantly enhance Australia's cultural profile internationally. Build international markets with established KPIs to be measured and reported on at the end of a 3-year period.

Note: Touring investment is closely aligned to Audience Development.

AUDIENCE DEVELOPMENT — National Cultural Policy Pillar 2

7. 'See it Live' for Young People
Establish a targeted program of performing arts passports/vouchers for Australians aged 12-30. Target to specific art forms (theatre, dance etc).
Investment could subsidise Arts Education for Young People, including a Schools Outreach Program, to provide students with access to productions. Program could align with priorities of Creative Industries Youth Advisory Group 2024, Office for Youth. **($35m pa for 3 years)**

Outcomes: Reduce financial barriers for younger audiences, extend access to cultural experiences and encourage new audiences to targeted art forms.

8. Regional Audience Engagement Fund
Establish an investment fund to foster regional audience engagement. Two funding streams: (a) venue capability, maintenance and accessibility and (b) programming, marketing and presenting cultural product/content to regional audiences in local venues. Partnership model with local government and Commonwealth. **($20m pa for 3 years)**

Outcomes: Development and delivery of cultural experiences and product/content to regional audiences. Increased economic benefits at local level with job creation and skills development in regional locales. Ancillary industry benefits eg tourism, hospitality and accommodation.

ATTACHMENT 2: TAX INCENTIVES PROPOSAL

LIVE THEATRE TAX OFFSET

PROPOSAL FOR CONSIDERATION

1. Purpose

The purpose of this document is to outline a proposal for live theatre tax incentives. The tax incentives would apply to pre-production costs of live theatre (commercial and not-for-profit) and be cost neutral when set between 25% and 40%.

2. Background and Context

LPA HAS CONTINUOUSLY ADVOCATED FOR PRE-PRODUCTION TAX INCENTIVES

As outlined in LPA's Pre-Budget Submission (2024-2025), tax incentives are needed to attract the level of investment required to produce and stage world class shows, support more Australian jobs and drive industry growth.

LPA has advocated for live theatre tax incentives through Pre-Budget submissions since 2016. The time is right to adopt this proposal in 2024, to meet the significant aspirations of the National Cultural Policy - *Revive*.

The rationale for this proposal can be summarised as follows:

- It is increasingly challenging for Australian producers to finance new live productions, due to the high cost of pre-production and difficulties in attracting investment.
- Theatrical producers in Australia compete against other industries that offer tax incentives.
- Theatrical producers in Australia also compete for investors with international jurisdictions that offer significant tax incentives for live productions.

Due to the above, opportunities to develop new content with Australian-owned intellectual property and job creation have been lost.

TAX INCENTIVES HAVE PROVED SUCCESSFUL IN AUSTRALIA AND OVERSEAS

Tax incentives offered within Australia and overseas are detailed under Section 3: Key Issues. They have proved extremely beneficial in terms of industry support, economic output and job creation.

For example, within Australia:

- Australia's package of screen offsets (location, producer, and post, digital and visual effects) generated **$16.5b in economic output** from 2018/19 to 2021/22, with 20,600 FTE jobs supported in 2021/22 alone.

- Of the 10 international production companies responsible for nearly 90% foreign production expenditure between 2018/19 and 2021/22, all indicated that they would **not** have undertaken their productions in Australia without the Location Incentive (grant and offset). [1]
- In reviewing the decade since Australia's Producer Offset was introduced, 91% of surveyed production companies indicated that the offset was critically important to the operation of their business and 87% said that it contributed to their ability to consistently produce content.[2]

3. Key Issues

Australian producers face the following key challenges:

RISING COSTS AND DIFFICULTIES IN ATTRACTING INVESTMENT

Prior to the pandemic, a commercial musical typically required AU$10 million to $15 million to capitalise a show. Post-pandemic, capital costs have increased by at least 30% on average. Therefore, in order to raise enough funds to produce a show, producers either need to cast the net wider to find new investors or ask investors with whom they have existing relationships to dig deeper into their pockets. Future investment in Australia will be severely constrained if producers cannot offer incentives to compete with other industries and jurisdictions that offer attractive tax incentives to investors.

Case study examples of general costs and investment sources are provided at **Attachment A.**

COMPETITION WITH OTHER AUSTRALIAN INDUSTRIES

In addition to dealing with rising costs, theatrical producers in Australia must compete for investors with industries that can offer tax incentives. This patchy approach to tax incentives in the arts hinders job and content creation. It would be more beneficial for the Australian economy if the arts were viewed more holistically, with tax incentives offered for multiple industries that can grow collectively.

The Federal Government currently offers a suite of three screen production incentives. Each film may be certified for only one of these three tax offsets. They can be combined with state and territory tax incentives (additional 10% to 20%) and grants. Australia also offers a tax offset for digital games development.

Federal incentives	Details
Producer Offset	The Producer Offset provides a: • **40% rebate** on the qualifying spend of feature projects for Australian productions and Official Co-productions. • **30% rebate** for non-feature projects. After Screen Australia issues a final Certificate, the tax rebate is paid to the applicant via the ATO within four weeks of lodgement.

[1] Study on the Impact of Film and Television Production Incentives in Australia 2023 - MPA APAC (mpa-apac.org)
[2] Skin-in-the-game-producer-offset.pdf (screenaustralia.gov.au)

Location Offset	The Location Offset is a **20% rebate** to encourage large-budget film and television projects to film in Australia. As part of the 2023/24 Budget, the Australian Government announced that the rebate rate would increase from 16.5% to 20% from 1 July 2023 – subject to legislative amendments. A tax rebate is usually paid to the applicant within four weeks of lodgement with the ATO.
Post, Digital and Visual Effects (PDV) Offset	The PDV Offset is a **30% rebate** to support work on post-production, digital and visual effects production in Australia. This includes productions shot overseas. A tax rebate is usually paid to the applicant within four weeks of lodgement with the ATO.
Digital Games Tax Offset (DGTO)	The DGTO is not part of the official suite of screen incentives above but does relate to screen. It provides eligible game developers with a **30% rebate** for qualifying development expenditure from 1 July 2022. It is capped at $20m per company per income year.

COMPETITION WITH INTERNATIONAL JURISDICTIONS

Over 80% of investment capital for commercial theatre in Australia is from offshore investors. This creates a highly competitive environment for Australian producers to secure capital to stage new productions. In this context, Australia is well behind other jurisdictions that offer tax incentives for live productions.

United Kingdom

The UK has 8 creative tax reliefs, including 3 "cultural reliefs" for theatre, orchestra and museums/galleries. The others are for film, animation, high-end television, video games and children's television.

In 2021 the cultural relief rates were raised to aid post-pandemic recovery.[3] On 15 March 2023 it was announced that the higher rates would be extended until April 2025. This responds to the positive impact that the incentives have had in attracting audiences and producing world-class performances.[4]

[3] Two year extension of higher rates for theatre, orchestra, and museums and galleries exhibition tax reliefs - GOV.UK (www.gov.uk)
[4] Theatre leaders hail 'game-changing' extension to Theatre Tax Relief (thestage.co.uk)

UK Tax incentive	Details
[Theatre Tax Relief (TTR)]	Introduced 1 September 2014 via the Finance Act 2014. Production companies can claim qualifying pre-production costs for non-touring and touring productions on their company tax return. **Rates** Increased to **45%** for non-touring productions and **50%** for touring shows in 2021. 1 April 2025: Will taper down to 30% (non-touring) and 35% (touring). 1 April 2026: Will return to original 20% (non-touring) and 25% (touring). **Eligibility** Plays, operas, musical, ballet or other dramatic pieces that tell a story through live performances/playing roles. High proportion of performances must be for paying members of the public or educational purposes. At least 25% of core costs must be used within the UK or European Economic Area.
[Orchestra Tax Relief (OTR)]	Introduced 1 April 2016. **Rates** Currently set at **50%.** Will decrease to 35% from 1 April 2025, and to 25% from 1 April 2026. **Eligibility** Only Orchestral Production Companies (OPCs) are eligible. Can claim European core expenditure on a concert or series of concerts intended to be performed live before paying members of the public or provided for educational purposes. At least 25% of the total core expenditure must be European core expenditure.

United States of America

The USA has live performance tax incentives at both federal and state levels.[5]

USA Tax incentive	Details ($USD)
Federal	In December 2015, US federal legislation established tax treatment for live theatrical productions equal to that provided for screen. Allows investors to recoup their investments prior to taxes being assessed on profits earned. **Rates** **100%** deduction for live performance investment from the taxpayer's income that year. May not exceed **$15m, or $20m** for productions in low income or isolated areas. **Eligibility**

[5] Live Theater Tax Credits (ct.gov)

	Live staged productions of a play (with or without music) derived from a book or script. Produced/presented by a taxable entity in a venue with a maximum capacity of 3000.
New York Empire State Musical and Theatrical Production Tax Credit Program	$300m program that aims to attract productions to Upstate New York venues. **Rates** Credit of **25%** for pre-tour production costs, wages up to a total of $200,000pw, and technical/crew production costs such as equipment. No per-project caps. **Eligibility** Corporation, partnership, limited partnership, or other entity/individual principally engaged in the production of a for-profit live, dramatic stage presentation in a qualified production facility. Includes touring productions. There are 8 qualified facilities (eg the Auditorium Theatre and the Stanley Theatre).
Illinois Live Theatre Production Tax Credit Program	**Rates** Transferrable credit of **20%** for all qualified Illinois expenditures, including resident salaries up to $100,000 per worker. **Additional 15%** credit for labour expenses paid to residents in high unemployment areas. Limited to $500,000 per production per tax year. **Eligibility** A theatre producer, owner, licensee, operator or presenter with a minimum production spend of $100,000 for Illinois labour and marketing expenditures. Theatres must have a minimum capacity of 1200. Productions must be long-runs (minimum 8 weeks and 6 performances pw), pre-Broadway, or Commercial Broadway Touring (plays in more than 2 other North American markets within one year).
Louisiana Live Performance Production Incentive Program	Statutorily known as the Musical and Theatrical Production Income Tax Credit. **Rates** Cap of $10m pa, with $5m (50%) reserved for non-profit organisations. Credit values range from: • **7%** for expenditures between $100,000 and $300,000 • **14%** for $300,000 to $1m • **18%** for over $1m An **additional 7%** tax credit applies for payroll expenditures to Louisiana residents. **Eligibility** Concert, theatrical and other live productions that originate or debut in Louisiana. Minimum of $100,000 in state expenditure. Non-profit organisations can be issued credits in the form of a refund of overpayment.
Rhode Island Musical and Theatrical	Credit available under Rhode Island's General Laws (Ch44 Taxation). For tax years 2022-24, the cap for total motion picture and/or musical and theatrical production tax credits issued is $40m. Previously $20m (2020-21) and $15m (2008-19).

Production Tax Credit	**Rates** **30%** for total production, performance and transportation expenditures. Cannot exceed $5m and is limited to costs within the State. **Eligibility** For-profit live stage presentations that are either a pre- or post-Broadway production, with a minimum production budget of $100,000. Must be presented in a Rhode Island production facility with at least 1000 seats. On 16 May 2023 the Senate passed a Bill making national touring productions eligible.
Maryland Theatrical Production Tax Credit	**Rates** Credit of **25%** against State income tax. Maximum award of $2m for a single production. **Eligibility** Applies to for-profit national touring (minimum two public performances, then performed for at least four weeks in four cities outside the State) or pre-Broadway live stage theatrical productions. Estimated total production costs incurred in Maryland must exceed $100,000.
Ohio Motion Picture Tax Credit	Introduced in 2009 and extended to live theatre productions in 2020. **Rates** Credit of **30%**, capped at $40m per year for all motion picture and Broadway productions. **Eligibility** Broadway theatrical production with minimum spend of $300,000 per production in Ohio. Covers all goods/services purchased in the State for production activities.

Mexico and Spain

Mexico and Spain also offer tax credits for live performances. However, the legislative frameworks for these countries will be less applicable to Australia than the UK and USA.

Country	Details
Mexico	From 2011, Mexico has offered tax credits for investments in national theatre projects. **Rates:** Capped at **10%** of the income tax payable the year prior, provided certain requirements are met.[6]
Spain	Under Article 36(3) of Law 27/2014 on Corporation Tax, Spain offers deductions for investments in live shows of performing arts and music.[7]

[6] Film Financing and Television Programming - A Taxation Guide (kpmg.com) (p.3)

[7] BOE-A-2014-12328 Law 27/2014, of 27 November, on Corporation Tax.

	<u>Rates:</u> 20% tax credit for expenses incurred for producing and performing live performing arts and musical shows. Credit must not exceed EUR500,000 per taxpayer.

4. Live Theatre Tax Offset

THE ISSUES ARE BEST ADDRESSED THROUGH TAX INCENTIVES

This approach has been assessed against other options, including grants/funding, removing GST for live performance tickets and tax deductions for individuals investing in live performances.

It was found that tax incentives for pre-production costs of live theatre will be **most effective** in addressing key issues. They will also prove **cost neutral** for government when tax incentives are set between 25% to 40% and can **mirror existing tax incentive schemes** to avoid resource-intensive system changes.

WHO WILL BE ELIGIBLE?

Access to the pre-production tax incentives should be open to commercial and not-for-profit theatrical producers.

WHAT COSTS SHOULD BE ELIGIBLE?

The exact scope of eligible expenditure should be determined in consultation with industry stakeholders.

As an example, the United Kingdom's Theatre Tax Relief covers theatrical productions where at least 25% of the core expenditure is incurred on goods or services provided from within the United Kingdom or European Economic Area (EEA).

Theatrical productions are defined as:

- A ballet, play, opera, musical or other dramatic piece that tells a story, where the performances are live and the performers give their performances wholly or mainly through the playing of roles.
- All or a high proportion of the performances must be for paying members of the general public or provided for educational purposes.
- May be touring (6 or more separate premises or at least two separate premises with at least 14 performances) or non-touring.
- Productions are ineligible if (a) the main purpose is to advertise, make a recording or train and/or (b) performances include a competition, contest, wild animal or are of a sexual nature.

Core costs include:

Amount spent on producing and closing the theatrical production (eg casting, rehearsals, costume design, set construction and dismantling).

Includes exceptional running costs, such as costs for substantial recasting or set redesign if incurred on or after the first performance date.

Includes expenditure on rights to use a story/book as the basis of a production that progresses beyond the development phase, or to use music, songs or stock footage in the production.

Does not include development costs (eg speculation and initial script writing), non-producing or ordinary running activities (eg finance, marketing, legal services and storage), or exploiting the production.

HOW WILL THE TAX INCENTIVES WORK?

The model could mirror Australia's Digital Games Tax Offset

The most resource-effective way to introduce tax incentives for live entertainment would be to mirror existing schemes such as Australia's Digital Games Tax Offset (DGTO) or Producer Offset.

As noted in Section 3: Key Issues, the DGTO provides a 30% refundable tax offset for qualifying Australian development expenditure and is capped at $20 million per company per income year.

This offset can be claimed when the Australian resident company or foreign resident company with an Australian business number (ABN) lodges a tax return.

Not-for-profit theatrical producers would be eligible, as under the UK's TTR. TTR eligibility extends to not-for-profit companies, including charitable companies and community interest companies. Under this scheme, each production is set up as a separate theatrical trade, separate to the company's other trades. This means that charities would set up a separate trading subsidiary to claim tax incentives.

The United States also provide some examples that could be referred to when determining how this could work in Australia. For example, not-for-profit companies can apply to Louisiana's Live Performance Production Program. "Although it is necessary to establish taxable liability with the State of Louisiana, it is not necessary to owe taxes. Not-for-profit organizations are issued credits in the form of a "refund of overpayment" by the Louisiana Department of Revenue. 50% or $5 million of the issuance cap is reserved for not-for-profit organizations."[8]

5. Key Benefits

As outlined in Section 2, tax incentives have proven successful both in Australia and internationally.

LPA's Members have noted that tax incentives would likely be used to produce new Australian or licenced work or stage additional shows for pre-existing productions. Benefits of this include:

- stimulates direct and indirect economic activity
- encourages producers to put on more shows due to reduced financial risk
- creates licensing and export opportunities
- provides employment and skills development opportunities
- improves producers' equity share and builds sustainable businesses
- contributes to cultural vibrancy and choice for Australian audiences
- supports affordable ticket prices
- improves social cohesion and wellbeing through community participation and attendance
- encourages a greater culture of investing within Australia
- strengthens Australia's international reputation and attractiveness for overseas investors.

The level of economic activity generated will increase as the level of investment incentive increases. EY analysis demonstrates that a Live Theatre Tax Offset could increase the number of new

[8] Incentives (louisianaentertainment.gov)

productions in Australia by up to 73%, with up to 54% additional industry output, 53% additional industry value add and 59% additional employment. This economic modelling is outlined below.[9]

Outputs	10% tax incentive	25% tax incentive	40% tax incentive
Number of new productions	22	347	555
Total output (industry turnover)	$229.5m	$760.6m	$1,216.9m
Total Value Add (wealth generation)	$100.1m	$337.2m	$540.1m
Total Employment (FTE)	863	2,906	4,650

[9] EY (2016), *Investment support for the live performance industry, Report for Live Performance Australia, August 2016*