



Sculptors' Society of Ireland
Cnr. Halston St. and Mary's Lane
Dublin 7
T: +353 (0)1 8722296
F: +353 (0) 1 8722364
E: info@sculptors-society.ie
W: www.sculptors-society.ie

Submission to the Department on Finance concerning the review of tax incentive schemes and in particular the Artists Tax Exemption Scheme.

The Sculptors' Society of Ireland (SSI) is the representative body for professional visual artists in Ireland. It represents a membership of over 900 artists working in all visual art disciplines including sculpture, painting, print and new media. As such the SSI is keen to contribute to the review process of tax incentive and exemption schemes. In particular this submission deals with the Artists Tax Exemption Scheme.

Introduction

The Tax Exemption scheme is of immense importance to artists and the arts in Ireland. It is the mechanism, which allows many artists to continue to live and work as artists, to produce new work and to contribute to a creative Ireland.

When the exemption scheme was first introduced in 1969 the then minister for finance stated that the scheme would "*act as a further encouragement to the creative artists in our midst and would help create a sympathetic environment in which the arts can flourish*". It is the view of the Sculptors' Society of Ireland that the environment in which the arts operate has not changed sufficiently to warrant the removal of the scheme.

This submission makes the case for retaining the exemption by asking 3 simple questions -

- **Why do artists need a Tax Exemption Scheme?**
- **How does the Irish public benefit from an Artists Tax Exemption?**
- **Would anybody benefit if the scheme were abolished or capped?**

Why do artists need a Tax Exemption Scheme?

Artists need the tax exemption because of the unique economic and working conditions in which they operate. Artists' incomes are generally low, sporadic and unpredictable. In addition the way in which artists work and the reasons why artists create are quite unique. For an artist the tax exemption is a major incentive to continue to practice and to make new work.

One need only look to the figures compiled and published by the revenue commissioners to see just how little artists earn from the sale of their work. In 2001, (the latest figures available) of those artists who were successful enough to sell work, over 50% actually earned less than €10,000. This is well below the average industrial wage. In addition, of the 87% of artists who are recorded as earning amounts below the €50,000 bracket, the average annual income was in fact just €10,900.

The figures above demonstrate the generally poor incomes that artists manage to generate from the sale of their work. However, this does not tell the full story. Artists tend to earn very unevenly over the year. For every year in which an artist might generate significant sales there may be many more years before and after in which no or very little income is generated. This longer-term erratic cycle of earning is very common to artists and makes the system of annual tax assessment inappropriate for artists.

The fact that individual artists are one of the most economically deprived groups is also documented through other research. The Arts Councils' of Ireland and of Northern Ireland commissioned and published a report in 2000 entitled *The Creative Imperative*. The aim of this report was to help ascertain the most appropriate model and mechanisms for supporting the individual artist. *The Creative Imperative* was preceded by specifically commissioned research into support for individual artists.

The introduction to this report states *artists' income is low and unpredictable. Based on figures for the Republic, the average gross income is around IR£12,000, with art expenses on average IR£5,000*. The report makes 31 recommendations, but perhaps the key point to note is the conclusion that *substantial investment will be required not in direct subvention to Artists so much as in the institutional infrastructure of the arts*. The Artists Tax Exemption is cited as one such example of where changes in the institutional infrastructure have benefited artists, the arts and society.

Quite aside from the fact that artists' incomes are low and uneven there is the fact that artists do not sell a lot of the work that they actually make and show. For example an artists showing work in a gallery will have made the work at his/her own expense. Whether or not the work has been sold, a value from that work will have been extracted in that it will have been presented and exhibited to the public. In this sense artists are providing a service to the public for which there is not necessarily an economic advantage. Tax Exemption is therefore an important incentive that recognises this unique situation.

Artists are also unique in that their primary purpose in creating artistic work is not so as to gain financial reward. The ethos that drives artists to make art is not economic. The act of creating is not motivated by profit and artists do not normally tailor their 'product' to an economic consumer. Artists also create on a continuous basis without any guarantee of financial success. Financially speaking this is a very high-risk strategy and the value of an artists work (economic or otherwise) may take many years to be recognised. The value therefore of what artists contribute is of immense worth. Again the Tax Exemption Scheme is one of a small number of incentives that artists have to continue to make work.

It has been noted that the largest subsidy to the cultural life of Ireland comes not from governments, corporations or other patrons, but from the artists themselves, through their unpaid or underpaid labour. Artists need the every incentive to continue to create.

How does the Irish public benefit from an Artists Tax Exemption?

As a nation we recognise that the arts are an important element of our lives. In Ireland the value of the arts relates not only to its social and cultural worth but also to its economic and political worth.

One of the fastest growing sectors in the country is the cultural labour force. The cultural industries such as music and sound recording, book and periodical publishing, broadcasting, films and videos are huge and their value to the Irish state is immense. It is worth remembering that all these industries, with their substantial budgets, depend on the individual creators: the writers, composers, painters and sculptors, choreographers and performers. The viability of our cultural industries is dependent on the creativity and talent of artists, creators and producers. The cultural institutions - the theatres, galleries, museums, and concert halls of which we are so proud - would be empty without the creative input of our artists.

This understanding of the important role that the arts play in society should not be overlooked and should not be undermined by the removal of the basic support mechanisms, which foster and encourage the creative arts.

The withdrawal of the scheme would have an adverse effect not only on individual artists but on the arts sector as a whole and more especially on the public's engagement with, and enjoyment of the arts in Ireland.

In order to maintain a cultural climate we need to invest in our artists, we need to value and recognise what artists contribute and we need to create a sympathetic climate in which the arts can flourish. By abolishing Tax Exempt status for artists the government would remove one of the key incentives for artists to live, work and produce art in Ireland.

Ireland's image abroad is consistently sold on its cultural heritage. The Tax Exemption Scheme has been recognised by many abroad as an indicator of the value which the Irish state places on its artists. It has created an image of Ireland abroad as a liberal, forward thinking country proud and confident of its own culture and one that values its creative practitioners. If the scheme were to be abolished not only would it be a blow to the artists who avail of the scheme but it would send out a signal internationally indicating a changing attitude of the Irish state to the value it places on the arts in Ireland.

This contribution made by artists to the social, economic and cultural life and status of Ireland is of immense worth and significance. Against this, the nominal benefit of recouping tax on artist's sales needs to be carefully considered.

Would anybody benefit if the scheme were abolished or capped?

One of the main reasons cited as to why the Artists Exemption is unfair is the cost to the exchequer. The latest figures released by the Revenue Commissioners show that the exemption cost the exchequer almost €37million in 2001.

It is debatable, however, how much of this would actually be recouped were the scheme to be abolished or capped. There are a small number of high earners who specifically reside in Ireland because of the exemption. If the exemption were abolished much of

that income is likely to move elsewhere with those high earners. It is worth noting that 70% of the total income exempted from tax in 2001 was earned by just 59 individuals or 4.5% of those who availed of the exemption.

Many of these high earners contribute not only to the present culture and future patrimony of the nation, but also invest in and create an environment that sustains many taxable jobs. The commodities that can result from art must also be understood to be separate: i.e. books, DVDs and CDs (etc) are a secondary exploitation, and most of the finances generated therefrom remain taxable.

The balance of what might be gained from abolishing or capping the scheme needs to be carefully considered against what may potentially be lost in the process.

In the short term the removal of the Tax Exemption scheme may seem an attractive proposition to Government. The SSI believes, however, that the benefit derived from the removal of the scheme would be far outweighed by the problems it would create in the long term. There is always pressure on artists to become more self sufficient and not to rely so heavily on direct public subsidy in the production of their work. The Tax Exemption scheme is an indirect way of encouraging and facilitating the production of new work by creative artists without the need for direct grant aid. The removal of the Tax Exemption Scheme would lead to further reliance on direct public subsidy for funding of the arts and place greater pressure on an already overstretched Arts Council.

The Sculptors' Society of Ireland would strongly advocate that the Artists Tax Exemption remains in place and that no cap is applied to its use.

Toby Dennett
Director