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Submitted to Your Vision, Our Future
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About You

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4 If you are responding on behalf of an organisation, please enter your organisation name here:

Organisation:
National Campaign for the Arts

Chapter 1 - General Questions

1 What elements of the taxation and welfare systems do you feel are working well?

Please elaborate below::

2 What elements of the taxation and welfare systems do you feel are not working well?

Please elaborate below::

3 Good quality public services, welfare provision and infrastructure are financed mainly from taxation and PRSI. What are the features that you think our taxation and welfare systems should have in order to meet these needs?

Please specify::

4 In your view, what main reforms are necessary so that the Irish taxation and welfare systems can embrace the opportunities and meet the challenges that Ireland may face over the next 10-15 years?

Please outline your views::

Chapter 9 - Administration

1 How can modernisation of the taxation and/or welfare administrations evolve to best meet customer needs in a satisfactory manner while respecting data rights and ensuring secure and reliable tax collection?

Please outline your views::

What do you see as the implications of modernisation for taxpayers either positive or negative?:

2 What improvements in service quality and delivery could be achieved by integrating (elements of) the taxation and welfare administrations?

Please specify::

Are there any risks arising from such integration? :

Chapter 10 - Submit Your Ideas

1 Taking into account the Terms of Reference, submit any other thoughts, ideas or feedback on taxation and welfare in Ireland:

Please outline your views::

National Campaign for the Arts wish to put forward proposals for changes to the Irish taxation system that would benefit the arts sector. Whilst the opportunities for change are extensive, we have focused on three on areas that we believe could be easily changed and would have a real and lasting

effect for the sector. The focus three areas are VAT recoverability in the live performance sector, the application of artist exemption, and philanthropy.

VAT – Zero Rating Theatrical Events or Option to Tax

Revenue introduced a VAT refund for charities scheme, however although many arts companies are registered charities, they did not have the resources to avail of the scheme. Of the claims submitted in respect of 2019, 60 per cent were for charities supporting the community, 19 per cent were for religious charities, 14 per cent were for charities supporting education, and 7 per cent were from charities involved in the relief of poverty.

The inability to reclaim VAT for live theatre performances in dry venues creates a distortion for suppliers who are above the VAT threshold e.g., lighting directors, set designers etc. The theatre company/group invariably has a budget for each line item. If a line item such as set designer has a budget of €5,000 for example, then a VAT registered set designer would receive just over €4,000 after VAT, whereas a non-registered set designer doing the same work would receive the full €5,000.

To resolve this discrepancy, we would ask the department to consider changing the VAT treatment on dry venue performances from exempt to zero rated.

Due to a lack of resources, we have not been able to carry out extensive research into the VAT impact that this would have, however, we have obtained the following figures from to provide an indicative level:

Irish National Opera
Fidelio production in 2021 – estimated irrecoverable VAT incurred circa €68,000

Rough Magic Theatre Company
2021 - estimated irrecoverable VAT incurred €12,000

In the case of larger companies such as INO, charging VAT on their ticket sales at 9% would result in an overall VAT benefit to company. Therefore, being VAT exempt is detrimental to their finances.

If a zero-rated VAT position is not palatable, then companies should be given the opportunity to elect to charge VAT at a 9% rate on admissions to enable them to recover the VAT cost on production. This would resolve the discrepancy in the industry between VAT registered and non-registered suppliers and also provide companies with greater capacity to attract the best talent.

Income Tax -Artist Exemption

Currently the artist exemption scheme provides for an annual allowance of €50,000. This fails to take into account the erratic nature of artistic income, particularly that of authors or musicians where their earnings can vary dramatically from year to year.

We propose an adjust to the way the €50,000 exemption is administered to address this issue. We suggest that any unused balance of the exemption in a year can be carried back one year or carried forward indefinitely.

Therefore, if an artist is starting off, they may not be able to avail of the full €50,000 but they would not lose the benefit. Any unused balance would carry forward for use against future profits. Ultimately no artist would benefit by more than €50,000 per annum on average throughout their career so they remain within the spirit of the existing legislation

Example: Current System

Artist One 2022 2023 2024 2025 2026 2027 Total
Earnings 100,000 100,000 100,000 100,000 100,000 100,000 600,000
Exempt 50,000 50,000 50,000 50,000 50,000 50,000 300,000
Taxable 50,000 50,000 50,000 50,000 50,000 50,000 300,000

Artist Two 2022 2023 2024 2025 2026 2027 Total
Earnings 10,000 10,000 430,000 30,000 50,000 70,000 600,000
Exempt 10,000 10,000 50,000 30,000 50,000 50,000 200,000
Taxable 0 0 380,000 0 0 20,000 400,000

Proposed

Artist Two 2022 2023 2024 2025 2026 2027 Total
Earnings 10,000 10,000 430,000 30,000 50,000 70,000 600,000
Exempt 10,000 10,000 130,000 30,000 50,000 70,000 300,000
Carry Fwd 40,000 80,000 0 20,000 20,000 0 0
Taxable 0 0 300,000 0 0 0 300,000

Under the proposed change the two artists would equally benefit from the exemption and “Artist Two” would not be adversely impacted due to the erratic nature of their income.

Philanthropy – Promoting donations

Donations are a key source of funding for the arts sector. We recommend that changes are made to encourage philanthropy from a tax perspective and also to make it easier for individuals and companies to make such donations.

Individuals - Employees

As the department will no doubt be aware, the UK has a “Payroll Giving Scheme” which facilitates charitable donations through payroll without deduction of tax. Corporate Social Responsibility (“CSR”) is becoming increasingly important worldwide and we would recommend that Irish employers are encouraged to implement a similar scheme. We would like to see the department promote a scheme which includes the arts with employers offering at least one arts body as a potential beneficiary of the scheme.

Individuals – Self-Assessed

Previously, self employed individual used to receive a tax deduction for charitable donations. An EFA report in December 2018 noted that of the European countries reviewed, only the UK and Ireland gave the tax benefit to the charity rather than the donor. The opportunity for self-assessed taxpayers to avail of tax relief is an important selling point for fund raising.

€250 limit

Currently there is a requirement to donate a minimum of €250 to an individual body in order to receive a tax benefit. For those on lower incomes, this can be a significant amount to donate at one time. We would like to see this limit removed for individuals so that donations at any level can benefit from tax relief. This should apply to both self-assessed and payroll giving schemes.

Corporate Donations

Companies should be encouraged to provide donations to charitable activities including the arts. To that end, we would recommend an incentive to increase corporate donations. Two potential incentives are:

1. Double tax deduction for companies up to value of €1m donation per annum or
2. 25% tax credit for donations up to €1m, allowable against CT liability only.

Global companies are increasing aware of their CSR and by introducing a favourable regime for donations, it would go hand in hand with Ireland’s FDI policy as well as encouraging indigenous companies to increase their funding.

These proposals were prepared for the National Campaign for the Arts by Gaby Smyth (Gaby Smyth & Co) and Bruce Stanley (HLM Sheehan Quinn)