

Artists – What can you claim?

By Evan Lowenstein

In our last edition, we looked at the criteria that the ATO consider when they examine whether an artist is carrying on a bona fide arts practice.

Once you have satisfied the various tests that are specified in the ruling that outlines the tests, we can now go on and see what an artist can actually claim.

The guiding principle that is to be found in tax law across all businesses is that the expense has to be incurred in order to earn income. There has to be a connection between spending money and earning the income.

Anything that the artist is expending to earn income can be claimed.

For example, a painter can claim all art materials, hardware, frames. A sculptor can claim all expenses relating to casting, foundry costs and a photographer can claim all costs associated with printing and processing their work.

These are fairly straight forward examples. They now can be extended out to include the following:

- Artefacts, Art Props
- Commissions paid (galleries, agents)
- Computer Expenses (including Internet)
- Donations
- Exhibition Costs
- Freight & Cartage
- Periodicals, Journals, Books
- Photography
- Printing, Postage & Stationery
- Protective clothing
- Studio Rent, rates, taxes & outgoings
- Repairs & Maintenance
- Reference Materials
- Registration, Subscriptions & Memberships
- Telephone, landline, mobile

This list is not exhaustive and if course is modified depending on the actual medium in which the artist is working.

It is also possible to claim expenses relating to travel, domestic and international, as well as local and car expenses.

These deductions require a bit more explanation.

TRAVEL

In as much as travel relates to the artist seeking to gain an understanding of different art practices abroad, whether it is to see exhibitions and galleries, set up shows with dealers overseas or just to seek some inspiration, the costs of travel are normally deductible.

These costs include airfares, accommodation, all food and snacks and transport costs.

The same goes for domestic travel although the costs are normally lower.

Again there must be a clear nexus between earning the income and the expense of travelling abroad, in the case where there is some private or holiday travel included in the overall cost, these are excluded or apportioned appropriately.

MOTOR VEHICLE EXPENSES

The use of car for business purposes is generally a deduction, again it has to be proven to be a legitimate business trip, driving from home to a place of employment is not considered a business trip but traveling between two places of work is.

The ATO have recently changed the way people can claim car expenses. Either keeping a log book or cents per km system.

The log book requires maintaining a log book for a period of 12 weeks for every 5 year period. In this book all business trips would be listed. After the 12 week period a business percentage would be established that can be used to apportion the costs of the car including depreciation, repairs, petrol registration and insurance.

This can be quite a cumbersome and labour intensive exercise, so we find that in cases where the car is not a huge expense, then the rate per km is a better method. All

that is required here is that the artist keeps a reasonable and careful estimate of the business kms travelled. The kilometres you can claim is restricted to a ceiling of 5000 kms and is set at the rate of 66 cents per km.

RECORD KEEPING

Another requirement to be able to claim the expenses is that there are proper receipts kept for all expenses wishing to be claimed. This is known as the substantiation requirement.

It is simply a method of collecting the relevant receipts and invoices that relate to the expenses being claimed.

Credit card payments and bank statement electronic transfers are also an acceptable form of documentation.

In addition where the artist hasn't been able to obtain an invoice or receipt, then a written entry into a diary is acceptable, if it is made as soon as possible after the purchase, it has to be signed and dated.

As far as travel is concerned, a travel diary has to be kept in addition to all relevant receipts. This diary would be notated on a daily basis where all the activities relating to the day, which you saw, where, and how long for would be entered. It is also useful for all the costs associated with the day to be annotated in there as well.

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