

17 October 2008

AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Madam/Sir

SUBMISSION ON AUSTRALIA'S TAX AND TRANSFER SYSTEM

Australia ICOMOS welcomes the opportunity to contribute to the review of Australia's tax and transfer system. Our submission concerns the use of the tax and transfer system in the conservation of Australia's cultural heritage.

Australia ICOMOS, Australia's leading non-government professional organisation for cultural heritage, is the Australian national committee of the International Council on Monuments and Sites. This is a non-government professional/expert organisation primarily concerned with the philosophy, terminology, methodology and techniques of cultural heritage conservation. Internationally, ICOMOS works closely with UNESCO, and acts as UNESCO's principal adviser on cultural aspects of the operation of the World Heritage Convention. As members of an international NGO, we are part of a global professional network.

Australia ICOMOS has a key role in contributing to heritage conservation philosophy, methods and standards of practice in Australia. Our members are professionally qualified and experienced practitioners from a wide range of disciplines, working in all facets of the understanding and protection of Australia's cultural heritage places, at all levels of government and in the private sector. We regularly provide feedback and advice on heritage policy and philosophy to the Australian Government.

What major challenges facing Australia need to be addressed through the tax-transfer system?

The Productivity Commission Inquiry into the Conservation of Australia's Historic Heritage Places confirmed the importance and value of Australia's cultural heritage, and the need for its protection and conservation. It also noted that most of

Australia's historic heritage items are listed at a local government level. This is also the case with Indigenous heritage items and places. Australia ICOMOS has expressed concern several times in the past about the continually decreasing allocation of government funding by successive Australian governments to the conservation of Australia's cultural heritage, which is the more regrettable because it has occurred during a period of increasing Commonwealth revenue and budget surpluses. As a result of this, together with constraints on State and local government budgets, Australia's historic and Indigenous heritage is not being adequately maintained and conserved, especially in regional and remote areas of Australia.

The importance of cultural heritage to Australia has been described in the 2004 version of the *Illustrated Burra Charter*:

Places of cultural significance enrich people's lives, often providing a deep and inspirational sense of connection to community and landscape, to the past and to lived experiences. They are historical records that are important as tangible expressions of Australian identity and experience. Places of cultural significance reflect the diversity of our communities, telling us about who we are and the past that has formed us and the Australian landscape. They are irreplaceable and precious.

As a signatory to the World Heritage Convention and a current member of the World Heritage Committee, Australia has accepted an obligation to conserve its cultural heritage. As the Convention indicates, this applies not only to World Heritage places but to all places of heritage value. The continuing loss and degradation of the physical fabric of our cultural heritage will be exacerbated by the effects of global climate change, unless ways can rapidly be found to conserve it.

What features should the system have in order to respond to those challenges?

The 1997 Council of Australian Governments *Heads of Agreement on Commonwealth and States Roles and Responsibilities for the Environment* assigned responsibility for environmental and heritage matters of national and world significance to the Australian government, and responsibility for matters of state significance to state governments. Within the States, matters of local significance are dealt with by local government.

The problem with this arrangement in practice is that the ability to generate revenue that can be used for heritage conservation is greatest at the national level, which has responsibility for the least number of heritage items, while the ability to generate revenue for heritage conservation is least at the local level, which has responsibility for the greatest number of heritage items. Australia ICOMOS submits that the system therefore needs to incorporate a means of transferring some of the funding generated at the national level to conservation works at the local level.

Such an arrangement is not unusual. The Australian Government allocates funding to local government to build and maintain roads, because although local

government is responsible for this work it is unable to generate adequate funds to meet all of its responsibilities. Moreover, the maintenance of local roads is correctly considered to be of greater than local importance, because of the contribution made by an adequate road system to the state and national economy.

In the same way, Australia ICOMOS would argue that cultural heritage assets at state and local level contribute to the cultural identity and economy of Australia as a whole, and that the allocation of some Commonwealth funding to its conservation is justifiable and equitable. This allocation may not need to be substantial, as it has been demonstrated in the past that relatively modest amounts of Commonwealth funding, when matched dollar for dollar through state and local government and then the private sector can multiply considerably. The former National Estate Grants Program is a good example of the multiplier effect of modest strategic funding, while Main Street programs in several local government areas have also shown that a comparatively small amount of seed funding from government can produce a substantial and rewarding conservation outcome. Australia ICOMOS notes that the Australian Government has previously established a Natural Heritage Trust that has provided assistance for a large number of successful natural heritage projects.

In addition to allowing the allocation of funds from general government revenue to heritage conservation through the tax and transfer system, it would also be beneficial for this system to facilitate the flow of private funds towards the conservation of cultural heritage. As explained in the next section, the present system discourages such contributions from the private sector.

What are the problems with the current systems?

Apart from the problem of the mismatch between resources and needs at different levels of government as outlined in the previous section, there are a number of barriers in the current systems to the allocation of funds to the conservation of cultural heritage. One of these is the very restricted availability of tax deductions for expenditure on cultural heritage places, and a similar restriction on the ability of cultural heritage organisations to become tax-deductible gift recipients.

Under the current arrangements, cultural heritage organisations are only able to be listed on the Register of Cultural Organisations eligible for tax-deductible gift recipient status if their main purpose is the promotion of a cultural activity such as literature, visual, community, performing or Aboriginal and Torres Strait Islander arts, music, crafts, design, television, video, radio, film or movable cultural heritage (refer to http://www.arts.gov.au/tax_incentives/register_of_cultural_organisations). This definition excludes virtually all organisations whose purpose is the conservation of cultural heritage places. Similarly, the Register of Environmental Organisations eligible for tax-deductible gift-recipient status specifically excludes organisations working in cultural heritage (refer to <http://www.environment.gov.au/about/tax/reo/guidelines/index.html>).

Cultural heritage organisations are also at present ineligible to register as charities in order to attract tax-deductible donations. This issue was examined by the

Charities Definition Inquiry established by the former Prime Minister in 2000. The report of the Inquiry in 2001 recommended that the advancement of culture, including “the protection and preservation of national monuments, areas of national interest and national heritage sites and buildings” should be an activity that merited charitable status and hence eligibility for tax-deductible gift recipient status (refer to http://www.cdi.gov.au/report/cdi_chap21.htm). However, this recommendation has not yet been incorporated in the legislation.

At present, the only way of obtaining tax deductibility for donations towards the conservation of cultural heritage places is to establish a special-purpose fund under the auspices of the National Trust of Australia (an organisation specifically mentioned in the taxation legislation) or to donate to a very limited number of organisations that own heritage places, such as the National Trust itself or the Historic Houses Trust of New South Wales. This means that the funds generated will only go towards the conservation of properties owned by these organisations, or those for which a project-specific grant has been established. There is no tax-based incentive for private individuals or corporations to provide funding for the vast number of cultural heritage places that are not covered by these arrangements.

During the 1990s a small tax rebate scheme for conservation projects was trialled by the Commonwealth, but was discontinued. While there were criticisms of this scheme, there was no apparent consideration given to adjusting and improving it. The demise of the scheme may have reflected more of a general antipathy to tax concessions at the time than a lack of serious effort to make tax incentives work for heritage conservation. Nevertheless, Australia ICOMOS notes that in other countries such as the United States of America tax concessions have been used very successfully as part of a national program to conserve cultural heritage.

What reforms do we need to address those problems?

Australia ICOMOS submits that there are two reforms that could be made to the present tax and transfer system that would substantially improve the flow of both government and private funding towards the conservation of Australia's cultural heritage:

- Change the definitions in the tax legislation to allow cultural heritage organisations concerned with the conservation of cultural heritage places to register for tax-deductible gift recipient status
- Establish a Cultural Heritage Trust along similar lines to the Natural Heritage Trust, to provide assistance to cultural heritage conservation at the State and local government levels

In our opinion, because of the multiplier effect of government contributions to the cultural heritage sector that has been amply demonstrated in the past, the Commonwealth revenue allocated to these reforms need only be modest to make a very considerable improvement in the condition of the cultural heritage resource of Australia, and to give it the resilience to better resist the effects of global climate change. Moreover, a regular and reliable flow of funding to the cultural heritage

sector will encourage regular maintenance rather than expensive repair and replacement, and also maintain trade skills and employment in the construction sector of the economy. The maintenance of existing places, rather than their replacement, will also conserve valuable physical resources, and contribute to reducing energy consumption.

Australia ICOMOS would be happy to comment further on these matters and to assist the Review Panel in its work.

Yours faithfully

Peter Phillips
President, Australia ICOMOS