



Australian Society of **Authors**

October 10, 2008

Dr Ken Henry AC  
Chair, Taxation Review Panel  
AFTS Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Dr Henry

*Re: Australia's future tax system*

The Australian Society of Authors is the peak professional association for Australia's literary creators. Our members are biographers, illustrators, academics, historians, cartoonists, scientists, food and wine writers, children's writers, ghost writers, librettists, travel writers, romance writers, translators, computer programmers, journalists, poets and novelists. The ASA was instrumental in setting up the Copyright Agency Limited and the Australian Copyright Council, and successfully campaigned for the implementation of Public Lending Right in 1975 and Educational Lending Right in 2000. The ASA continually acts as an advocate for the rights of professional authors, sets minimum rates for pay and conditions for authors and illustrators, and publishes books, papers and lists for emerging and established writers. We provide a contract advisory service, run mentorships for new and emerging writers and offer advice about writing, copyright and publishing.

You have asked for submissions for a review of Australia's tax system. We offer the following from the perspective of Australia's literary creators.

*What major challenges facing Australia's literary creators need to be addressed through the tax-transfer system?*

Australia's literary creators live, for the most part, on earnings well below the basic wage. Their situation is very similar to that of most primary producers in that they receive the smallest proportion of the value added to their product through the manufacturing, marketing and sales process (otherwise known as publication). Their earnings are also sporadic being from royalties and rights sales, not through any regular wage or salary payments.

ABS statistics for the period 2001-04 (the only years these figures have been collected) show that the sales for Australian fiction, childrens' books and non-fiction averaged \$438.5 million for each of these four years, indicative of the value of the work of Australia's literary creators in fully manufactured form. However, at the level of primary production, the picture is very different. The

Australia Council notes that the median arts income for Australian authors is a mere \$11,700 p.a. while the median gross income for all artists is \$30,000 p.a. compared with \$48,900 p.a. for full-time professional employees.<sup>1</sup> At the same time, writers incur median expenses of \$3,400, or 30%, in realising their artistic income.

Therefore the ASA contends that authors need some assistance from the tax system to be able to sustain themselves over the long term.

The Australia Council's grants to individual writers are currently taxable, even though these are mostly in the range of \$5,000-\$20,000. If these grants were tax-free, the grants would be significantly more effective in offering sustainability to authors. There would be very little effect on overall revenues to government from taxation since the grant amounts themselves are so small.

The Prime Minister's Awards for Fiction and Non-Fiction, worth \$100,000 each and inaugurated in 2008, are tax-free. All States and Territories offer awards for lesser amounts for writers of fiction, non-fiction, poetry and plays. Private foundations and trusts offer other awards, such as the Miles Franklin, The Barbara Jefferis Award, the CAL Waverley Library Award, and the Kibble/Dobbie awards. These awards again offer authors further opportunities for sustainable income, but that sustainability is diluted when the awards are subject to tax. The ASA argues that all such awards be exempt from tax.

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

As indicated above, the system should have features that permit literary awards and grants to be exempt from the tax system in order to improve the sustainability of writers incomes, allowing them to be more productive and contribute further raw literary product – that is, to function more effectively as primary producers. This product will flow into manufacturing (as books and other saleable product) and numerous taxes including GST will be collected both during the manufacturing process (editing, printing, distribution) and at the point of sale of the fully manufactured product (the book or electronic file).

*What are the problems with the current systems for Australia's literary creators?*

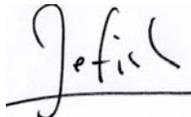
The problems with the current systems for Australia's literary creators is that the systems cater much better for organizations and individuals who have regular sources of income (for example, waged and salaried employees, or businesses with daily sales) and who are more immediately rewarded for their labour, services or products.

It is not uncommon for an author to spend three or more years writing a book and for that book to take 18 months to two years to be published once it has been written. It is only when the book is in production that an author begins to see any remuneration for their efforts in the form of an advance against sales. Because this is an advance, it is not reliable income until the book has actually gone out into the marketplace. A publisher can still call for repayment of advance payments if the book fails to achieve sales targets. None of this uncertainty is currently addressed by the current system. Authors, indeed all artists, need some protection within the system relating to the uncertainty of their income, much as other primary producers have some protection against the vagaries of the climate and seasons.

*What reforms do we need to address those problems?*

The reforms that are needed to address these problems are for grants from the Australia Council and literary awards to be exempt from taxation to encourage the sustainability of authors' income. The benefits to the community from the production of literary works is also accompanied by several points where the production process returns taxes to government (eg, Editors work for wages or as contractors, publishers pay GST and other taxes (payroll etc), booksellers pay GST and other taxes (payroll, etc) and book-buyers pay GST when they purchase a book.

Yours sincerely



Dr Jeremy Fisher  
*Executive Director*

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<sup>i</sup>Throsby, D. and Hollister, V., *Don't give up your day job: An economic study of professional artists in Australia*, Australia Council for the Arts, Sydney, 2003, p. 45-46.