

## **BUSINESS AND THE ARTS**

This paper details the funding relationship between the arts and the business sector throughout the regions of the United Kingdom and the Republic of Ireland. The paper highlights the initiatives that have been implemented in order to encourage the private sector to invest in the arts.

### **THE EUROPEAN COMMITTEE FOR BUSINESS, ARTS AND CULTURE (CEREC)<sup>1</sup>**

The European Commission published in May 2007 a communication on Globalisation, culture and the Lisbon agenda. The Commission wishes to promote culture as a catalyst for creativity and innovation in the context of the Lisbon Strategy for jobs and growth.

The Tax treatment of private support can have a significant influence on the type and level of support that is given. A favourable fiscal environment for private support to culture, the arts and heritage is the essential to a significant private.

Tax regulation usually refers to “donation”. A donation involves the payment of money or the provision of in-kind assistance to a not-for-profit cultural, social, environmental or sporting organisation without any benefit expected in return. It should be stressed that a donation must be viewed as a gift, whereas a sponsorship is a contract for specific and valuable benefits in return.

In the majority of countries, donations are encouraged through a variety of different income tax deductions. The framework varies widely depending on the country. Nevertheless, in almost all countries there are two criteria which are crucial to the availability of any such deduction:

(1) Donations can only give rise to a tax deduction if they are made to “**recognized organisations**”. This restriction makes it impossible at present to deduct a donation made to an organisation in another EU Member State as no country has yet recognized any foreign organisations (with the exception of the Netherlands).

(2) Donations are generally deductible “**up to a certain amount**”. Once this amount is exceeded, any donations made no longer give rise to tax deductions. Donations never fall under the scope of the VAT whereas sponsorship expenses usually do, as sponsorship is considered to be a standard commercial exchange.

### **Ireland Profile**

**Tax treatment of sponsorship:** Expenses linked to sponsorship are deductible from corporate tax as long as they are “fully and exclusively” correspond to the company's

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<sup>1</sup> CEREC, <http://195.167.181.214/asp/uploadedFiles/file/CERECEuropeanTaxationBrochure.pdf>

advertising needs. The expenditure must be reasonable. Expenses linked to the entertainment of clients are not deductible, but whereas expenses linked to entertainment of personnel are deductible.

Tax treatment of corporate giving: Donations, in kind or in cash, made to not-for-profit organisations recognized by the tax authorities are fully deductible. There is no maximum limit.

### United Kingdom Profile

Corporate giving and sponsorship: The introduction of the Charities Act 2006, not-for-profit cultural activity has become one of the thirteen recognised “public benefit” activities. It has less impact on the tax treatment of not-for-profit cultural activity, which was unchanged by the Act.

Tax treatment of sponsorship: Sponsorship expenses are fully deductible where such expenses are wholly and exclusively for the purpose of trade. Capital expenses are not allowed.

Tax treatment of corporate giving: Donations are deductible if the beneficiary is an authorized recipient (e.g. registered charity). Cash donations made by businesses are treated through a system called Gift Aid. Businesses which donate shares, other than their own, to a registered charity can reduce their tax basis by the amount of the donation. The donor is exempted from payment of capital gains tax.

## REPUBLIC OF IRELAND

### THE BUSINESS EXPANSION SCHEME (BES) – RELIEF FOR INVESTMENT IN CORPORATE TRADES<sup>2</sup>

The Business Expansion Scheme (BES) came into effect from the 1<sup>st</sup> January 2007.

In order to qualify, investments must be made by companies engaged in the following activities;

- manufacturing;
- service;
- tourism;
- R&D;
- plant cultivation activities;
- in the construction and
- leasing of advance factories; or,
- certain music recording activities.

The Scheme allows an individual investor to obtain income tax relief on investments up to a maximum of €150,000 per annum in each tax year up to 2013. An investor who cannot obtain relief on all their investment in a year of assessment, either because their investment exceeds the maximum of €150,000 or their income in that year is sufficient to absorb all of it, can carry forward the unrelieved amount to following years up to and including 2013, subject to the normal limit of €150,000 on the amount of investment that can be relieved in any one year.

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<sup>2</sup> The Business Expansion Scheme (BES) Relief for Investment in Corporate Trades, <http://www.arts-sport-tourism.gov.ie/pdfs/BusinessExpansionScheme.pdf>

A qualifying investor is an individual who;  
(1) is a resident in the State for tax year in respect of which they makes the claim (2) subscribes on their own behalf for eligible shares in a qualifying company and (3) is not for the relevant period, as defined, connected with the company.

### **TAX RELIEF FOR HERITAGE DONATIONS**

Under Section 1003 of the Taxes Consolidation Act, 1997 in the Republic of Ireland, tax relief is available in respect of the donation of important national heritage items to the Irish national collections.

The relief consists of a tax credit equal to the value of the heritage item (any kind of cultural item<sup>3</sup>) donated.

#### **National Collections**

The national collections are described as Approved Bodies under the legislation, they include<sup>4</sup>;

- (1) National Archives
- (2) National Gallery of Ireland
- (3) National Library of Ireland
- (4) National Museum of Ireland
- (5) Irish Museum of Ireland
- (6) The Crawford Art Gallery Cork Limited

The Minister for Arts, Sports and Tourism, in conjunction with the Minister of Finance with the consent of the funding bodies can award the tax relief to an applicant.

### **ARTS AND BUSINESS**

Arts and Business is an organisation within the United Kingdom, with regional offices in Northern Ireland, Scotland and Wales. Their aim is to promote and support the relationship between the arts and the business sector.

### **CORPORATE SUPPORT**<sup>5</sup>

Arts and Business state that sponsoring the arts can be a cost effective way for a business to market, develop brand image and strengthen client and strategic relationships. Businesses the arts can help to ensure that a community retains a distinctive identity and enabling the next generation to use the arts.

#### **Sponsorships**

Arts and Business classifies sponsorship as a payment of money made to an “arts organisation for a series of expected benefits in return that will enable the

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<sup>3</sup> Cultural item includes any archaeological item, archive, book, estate record, manuscript and painting.

<sup>4</sup> The Department of Arts, Sport and Tourism, <http://www.arts-sport-tourism.gov.ie/culture/schemes/tax-relief.html>

<sup>5</sup> Arts and Business, <http://www.aandb.org.uk/render.aspx/siteID=5&navIDs=1066,1074>

development of trade” (REF). When sponsorship is linked to the furthering of trade, a business can deduct the cost of that sponsorship from their income.

### Sponsorship vs. donations

Arts and Business state that sponsorships are just as tax efficient as donations. The difference is that with a sponsorship negotiation can take place with the arts organisation for a series of benefits that will help a business. With a donation, you can only have a very limited series of benefits in return.

## **NORTHERN IRELAND**

### **CREATIVE INDUSTRIES INNOVATION FUND (ARTS COUNCIL NORTHERN IRELAND)**

The Creative Industries Fund was launched in October 2008 and is a 35 million, three-year funding programme aimed at supporting innovation in creative businesses across Northern Ireland.

All creative businesses in Northern Ireland can make applications to this funding programme. Indeed, a sole trader, partnership or an incorporated company can apply to the fund.

The Creative Industries Innovation Fund supports:

- businesses providing services by selling their time and creative expertise for money
- businesses providing experiences in events and activities (such as theatre and live music)
- businesses producing originals, artefacts valued for their individuality, creativity and rarity

### Project grants available

There are three types of grants available;

- (1) 100% grants are available to projects needing up to £10,000
- (2) Those businesses who wish to become InvestNi client companies<sup>6</sup> can receive a grant of up to 75%, to a maximum of £75,000
- (3) In cases other than the two described above, the maximum grant available is 75% up to a maximum of £50,000

The Arts Council Northern Ireland is the administrator for the Creative Industries Innovation Fund; additional support and guidance is available to businesses from the below organisations;

- (1) Northern Ireland Screen
- (2) Craft Northern Ireland
- (3) Northern Ireland Music Industry Commission

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<sup>6</sup> Invest Ni Client companies - refers to businesses that have sales of £100,000 per year and sales outside Northern Ireland greater than 25% of turnover or greater than £250,000

**ARTS AND BUSINESS**

Following a pilot in 06/07 Arts and Business has updated its programme to aid its ambition of increasing private sector support for the arts. From 1<sup>st</sup> April 2007 the programme will no longer be called New Partners, but will consist of two separate strands of investment, Reach and Invest.

Arts and Business aims to promote mutually beneficial relationships between business, the arts and the public sector in order to increase private sector investment into the arts. The two strands of our Investment Programme are designed to enable us to support and encourage such partnerships. The two strands of the programme are as follows;

**(1) Reach**

Reach is an open application scheme designed to support business to try something new with the arts, or to broaden and deepen an existing partnership.

**(2) Invest**

Projects supported under the Invest scheme are by invitation only. This scheme enables Arts and Business to initiate transformative business/arts partnerships. The aim is to encourage new investment into the arts; to stimulate the sponsorship market; and to grow and sustain business engagement with the arts.

**Professional Development Programmes**

The Professional Development Programmes are divided into two distinct programmes; Skills Bank and Board bank. Each programme is designed to develop and enhance professional skills on both sides. The programmes provide a dynamic and cost effective way to develop and motivate employees, enabling them to acquire new skills and assume extra responsibilities.

**VENTURE PHILANTHROPY: PHILANTHROPY AND THE ARTS**

This Report was prepared for Arts and Business Northern Ireland by the Venture Philanthropy Ireland Limited in 2008.

Summary of some of the conclusions from the Report:

- People are willing to fund the arts and culture sector from a philanthropic perspective, but currently do not to the same extent as they fund other sectors (health, education and the environment). It was the only sector that on occasion provoked a very strong negative response in terms of philanthropic funding
- Philanthropy is a very personal private issue particularly in Northern Ireland.
- It is up to the world of the arts and culture and those representing it to create a strong artistic business case in order to attract inward philanthropic funding
- How you ask and whom you ask is critical and philanthropy is primarily a relationship building exercise between the donor and recipient
- Government were overwhelmingly considered to have a role to play in encouraging and supporting philanthropic activity

- There is a need for primary and local statistical evidence to support the value that arts and culture contribute to society and the economy

## **SCOTLAND**

### **ARTS AND BUSINESS – SCOTLAND**

The Scottish Government is providing Arts and Business with £300,000 in 2008/9. In 2009/10 £300,000 will be made available to encourage new business sponsorship for the arts on a £1 for £1 matching basis. This scheme will be building on a previous programme that has to date brought an additional £1.8 million to the arts in Scotland.<sup>7</sup>

#### **Arts Council Scotland<sup>8</sup>**

The Scottish Executive 'New Arts Sponsorship Award (SEASA) scheme was launched in April 2006. The scheme has available some £80,000 over two years. Arts and Business Scotland has awarded £319, 937 to 28 projects since the scheme was launched. These awards have attracted £509, 429 of new investment from private businesses. The Awards provide match funding for new arts sponsors.

The objectives for the New awards include<sup>9</sup>;

- Increase the number of business sponsoring the arts in Scotland
- Support cultural organisations in their business development by helping to attract new businesses to the sector
- Entice non-Scottish based companies to sponsor activities in Scotland

The SEASA has attracted some 28 private companies in Scotland that have never sponsored the arts in Scotland before. £830,000 in sponsorship has been generated in Scotland through the new scheme. The scheme is funded through the Arts Council Scotland and managed by the Arts and Business Scotland organisation.

Eligible arts/business partnerships can apply for £1 for £1 match funding based on a minimum sponsorship of £1,000 (cash or kind) up to a maximum of £50,000. Businesses must be sponsoring the arts in Scotland for the first time, or must not have sponsored the arts in Scotland since 31 March 2003<sup>10</sup>.

## **WALES**

### **ARTS AND BUSINESS WELSH (CYMRU) INVESTMENT PROGRAMMES<sup>11</sup>**

A new investment programme for business in the arts was launched by the Welsh Government and Arts and Business in May 2008. The programme consists of two parts – (1) CultureStep and (2) CultureScope.

#### **CultureStep**

<sup>7</sup> Arts and Business, <http://www.aandb.org.uk/render.aspx?siteID=1&navIDs=1,4,24,891>

<sup>8</sup> Scottish Arts Council, <http://www.sac.org.uk/1/latestnews/1003807.aspx>

<sup>9</sup> Scottish Arts Council, <http://www.scottisharts.org.uk/1/latestnews/1003271.aspx>

<sup>10</sup> Scottish Arts Council, <http://www.scottisharts.org.uk/1/latestnews/1003271.aspx>

<sup>11</sup> Arts and Business, <http://www.aandb.org.uk/wales/>

The aim of this programme is to attract businesses who are investing in the arts for the first time or who have not invested in the arts in Wales for over 5 years. Also being pursued are businesses that wish to develop their existing relationship with the arts -either through a new development or additional money.

All applications to CultureStep must address at least one of the following priorities;

- Engaging young people who would otherwise not have an opportunity to experience the arts
- Providing training and development opportunities for adults and/or young people in the community
- Social inclusion, access and outreach
- Enabling activity in priority areas of Welsh Language
- Using the arts to motivate, develop and train business' staff
- Promoting Individual Giving
- Encouraging business investment into the arts from outside Wales

In order to access CultureStep, the minimum business investment required is £1000. Arts and Business Wales will consider making an investment of £1 for every £2 the business partner provides. This investment will only take place if the following criteria are met;

- Business partner is investing in the arts for the first time or has not invested in the arts in Wales for at least 5 years
- Business partner has made a written 3 year commitment to the arts partner which does not decrease year on year
- Business partner has less than 50 employees

If none of the above requirements are met by the lead business partner then the leverage must be at least £3 from business for every £1 Arts and Business Wales invest.

Publicly funded organisations excluded from applying as business partners include the following;

- Universities (and other educational establishments)
- Housing Associations
- Local Authorities
- Government Departments
- Police Service
- Prison Service
- General Practitioners
- Embassies
- Hospitals

### CultureScope

Applications for this fund are by invitation only. This scheme enables Arts and Business to initiate transformative business/arts partnership, often involving other public sector bodies. CultureScope involves larger scale projects.<sup>12</sup>

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<sup>12</sup> Arts and Business, <http://www.aandb.org.uk/render.aspx?siteID=1&navID=1,4,32,137>

The maximum Arts and Business investment in CultureScope is £30,000 per project, the minimum is £10,000. The minimum leverage required from business for CultureScope is £4:£1 but this can involve a number of businesses collaborating. Where business collaborate to achieve the required project leverage the minimum investment per business is £5,000 per project<sup>13</sup>. Arts and Business Wales aim to lever business resources into the arts with a minimum national average leverage across the Investment Programmes of £7:£1. The minimum leverage required per CultureScope project is £4:£1<sup>14</sup>.

All CultureScope projects must address at least one of the following priorities<sup>15</sup>;

- Engaging young people who would otherwise not have an opportunity to experience the arts
- Providing training & development opportunities for adults and / or young people in the community
- Social inclusion, access and outreach
- Enabling activity in priority areas of Wales (Community First Area)
- Supporting diversity
- Contributing to environmental regeneration
- Promoting equal status for the Welsh Language
- Using the arts to motivate, develop and train business' staff
- Promoting Individual Giving
- Encouraging business investment into arts from outside Wales

### Arts and Business Wales

With 20 years experience, Arts and Business Cymru (Wales) has 20 years experience in partnering the arts and business across Wales. It currently works with over 300 businesses, as well as almost 400 arts organisations.<sup>16</sup>

The Professional Development Programmes aim to bring business skills and experience to the arts are made are supported by the Welsh Assembly Government's Department for Children, Education, Lifelong Learning & Skills (DECLLS).

**January 2009**

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<sup>13</sup> Arts and Business, <http://www.aandb.org.uk/wales>

<sup>14</sup> Arts and Business, <http://www.aandb.org.uk/wales>

<sup>15</sup> Arts and Business, <http://www.aandb.org.uk/wales>

<sup>16</sup> Arts and Business, <http://www.aandb.org.uk/render.aspx?siteID=1&navID=1,4,32,137>