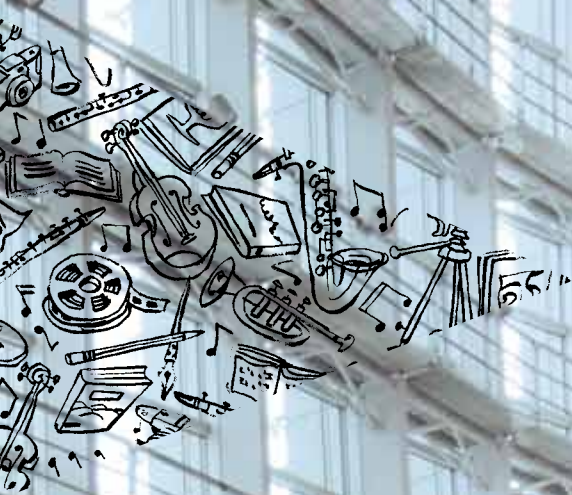


The way to cultural diversity

The international survey on tax policies
in the cultural sector



 **ERNST & YOUNG**
Quality In Everything We Do

 **FORUM
D'AVIGNON
2011**

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Foreword

About this survey and our collaboration with the Forum d'Avignon

For its first session in 2008, the Forum d'Avignon – Culture, Economy, Media – focused on culture as a factor of growth. At Ernst & Young, we live and understand culture's importance and its significant economic effects.

For its 2009 session, the Forum looked at cultural strategies to succeed in a post-crisis area. The cultural sector is where all operators of the private and public sectors collaborate – without borders – with a great mix of public policies and private interests.

In fact, tax policies play a key role in the development of culture. Indeed, governments determine and apply policies that directly affect operators of the cultural sector, such as taxpayers. Also, related incentives ultimately benefit all those who invest in culture, such as individuals, corporations and not-for-profit organizations.

In that context, Ernst & Young mobilized the resources and knowledge of our tax advisors in more than 135 countries to perform a comprehensive and detailed survey on how tax policies are used as tools to develop culture, starting in 2009 with a focus on 14 countries all around the globe.

For the 2010 and 2011 sessions of the Forum d'Avignon, we have updated the 2009 survey, adding four countries to its scope (Australia, South Africa, Greece and Turkey) with the objectives first to further

capture the cultural diversity in tax policies around the globe and, second, to look more closely at the impact of the financial crisis and economic downturn on tax policies for the cultural sector.

The survey's purpose is to identify, describe, analyze and compare, over the 2009-11 period, the tax policies for culture in the following 18 countries: Australia, Brazil, Canada, China, France, Germany, Greece, Japan, India, Italy, Mexico, Spain, South Africa, South Korea, the Russian Federation, Turkey, the United Kingdom and the United States.

This panel represents many of the world's greatest cultures in terms of diversity, population size, geography and historical heritage, while also capturing most of the G20 member states. For each country studied, Ernst & Young conducted a detailed technical analysis combined with global benchmarks based on tax regulations in force over the period studied.

This publication includes the key findings and highlights from the survey. The survey is available for online access on the Ernst & Young website (www.ey.com/mediaentertainment) and the Forum d'Avignon website (www.forum-avignon.org).



Overview of tax policies in the cultural sector

In each of the countries studied, we have systematically identified all the various tax benefits¹ that are specifically designed to develop and promote the cultural sector.

Tax policies can be categorized by reference to the tax techniques used, by the cultural sector targeted and by beneficiary. This classification grid helps to identify the objectives pursued by lawmakers when granting a favorable tax regime or enacting a new cultural tax.

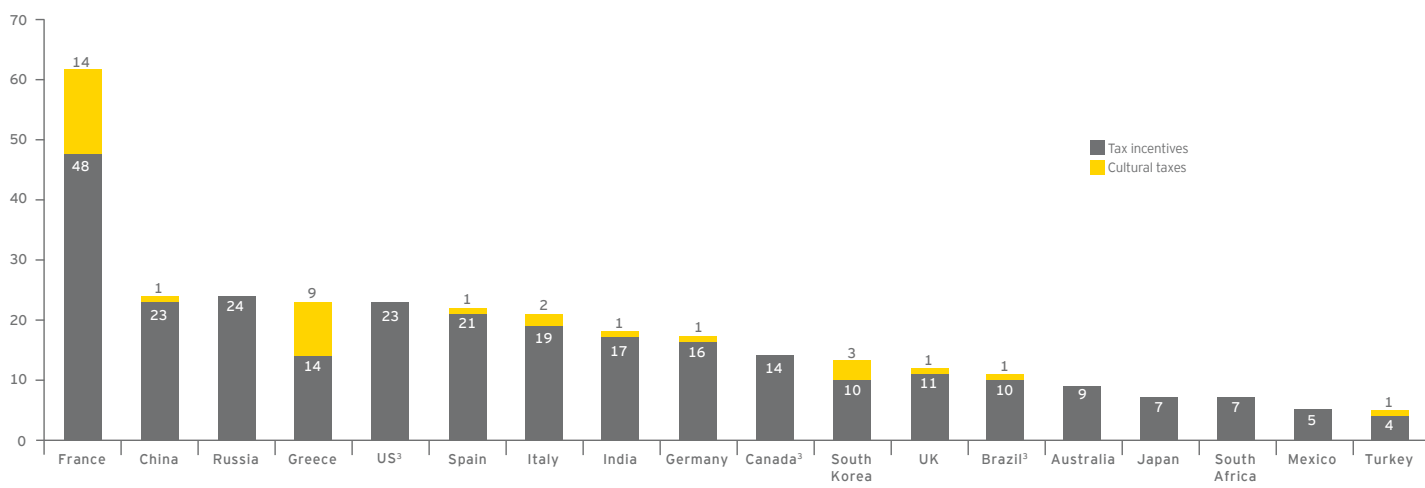
The survey has identified two main techniques used to provide tax support to cultural activities:

1. The cultural tax incentives, defined as all provisions in the law resulting in (i) a decrease in the tax charge (from the taxpayer standpoint) and (ii) conversely, a decrease in tax proceeds collected by governments (so-called cultural tax expenses).

2. The cultural taxes, which are taxes levied specifically for a cultural purpose. They represent an additional burden for the taxpayers but a resource for governments (so-called cultural tax proceeds). The proceeds from these cultural taxes may be either allocated to the state's general budget or redistributed to the cultural operators or to a particular sector of culture.²

The following charts provide an overview of the tax policies reviewed from a macro and comparative perspective by country, number and nature of tax provisions identified, while also considering the specifics of federal states.

Tax measures identified at national level (2009-11 average)



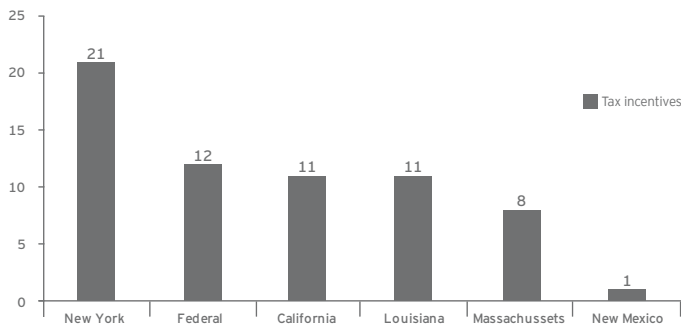
¹ In common language, a tax benefit or tax "break" is a favorable tax provision when compared to normal tax rules; also referred to as tax "relief" or tax "rebates."

² A tax can be qualified "cultural" either by nature (taxes levied on a cultural event or assets, but of which the proceeds are allocated to the state budget without direct allocation to a cultural purpose) or by purpose (taxes of which the proceeds are exclusively allocated to a cultural purpose).

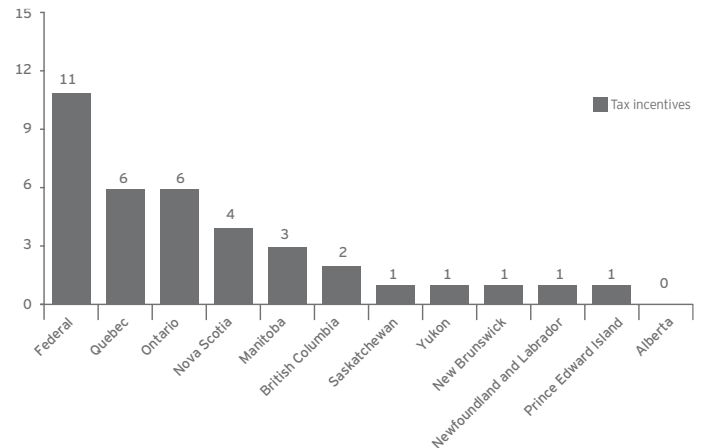
³ Only a limited number of states were reviewed.

Tax incentives identified at local level (for federal states): 2009-11

United States⁴



Canada⁴



⁴ The number of reported tax incentives is a combination of both national measures and (average) federal measures.

Who are the beneficiaries of the cultural tax policies?

Tax policies appear to have two categories of beneficiaries:

- ▶ **Operators in the cultural sector** – all individuals and organizations that are part of the culture value chain (e.g., content production, distribution to packaging and end users, culture promotion and funding). This category covers both individuals – artists, actors, entertainment workers, authors – and private companies or other legal bodies engaged for either lucrative or non-lucrative purposes into a cultural-related activity.
- ▶ **Investors into culture**, including all individual and private bodies investing or spending their own financial resources into cultural assets or activities (e.g., art collections, sponsoring, patronage, charities). Tax policies may encourage investors, depending on whether the related beneficiaries of such investments are qualified not-for-profit organizations (NPOs), such as museums, operas, and public and private foundations with a cultural purpose.

Overall, the surveyed countries tend to provide slightly more tax benefits (by the number of tax provisions) to companies and individuals operating in the cultural sector than to investors into culture.

This is, however, not a pronounced tendency – only 11 countries out of 18 have more provisions in favor of operators – and most countries appear to take a balanced approach with respect to beneficiaries of tax benefits.

Some countries are totally neutral, such as the UK and Greece. Other countries provide more tax benefits to one category of beneficiaries without being exclusive. However, two countries – Brazil and Spain – implemented tax policy primarily targeting investors in culture.

Obviously, a comparison based solely on the number of tax benefits is not fully satisfactory because it would be necessary to compare the financials as well (i.e., cash proceeds from each tax benefit). In practice, it is difficult to access all such financial data for all countries under the survey's scope because not all countries make their data public.

Nevertheless, the number and the nature of tax measures gives a good indication of the level of interest and of the orientation taken by the tax policy-makers in the area of cultural activities.

The following charts provide details on cultural taxes identified by cultural sector and country.

Cultural taxes, by sector (2011)

Culture sector	Cultural taxes
Television broadcasting	13
Cinema	6
Music industry	5
Press and editing	4
National heritage	3
Radio	3
Live performing arts	4



Cultural taxes, by country (2011)

Country	Number of taxes	Description
Brazil	1	CONDECINE (tax on film distribution and licensing)
China	1	Culture funding tax (assessed on ads and entertainment revenues ⁵)
France ⁶	14	Television reception tax ⁷ , cinema admission tax, tax on television services, tax on television advertisements, tax on television and radio broadcasting, tax on the turnover of companies operating in the audiovisual sector, tax on video rental and video on-demand (VOD), tax on printing and publishing devices, tax on book publishing, tax on certain printed advertisement expenses, variety shows tax, tax on live performances, tax for archeology works, tax on online gaming
Germany	1	Television reception tax
Greece	9	Taxes on advertisements (TV, press, radio, printed ads), television reception tax, entertainment taxes, lottery tax, historical sites tax (cinema and public events admission)
India	1	Entertainment tax ⁸ (film and live performance tickets, VOD)
Italy	2	Television and radio reception tax, music entertainment tax
South Korea	3	Entertainment tax (film tickets), television reception tax, broadcasting development tax
Spain	1	Tax on exports of cultural goods
Turkey	1	Television reception tax
UK	1	Television reception tax
Total	35	

⁵ Tax is due at a rate of 3% assessed on income subject to Chinese business tax.

⁶ Tax assessed on ownership of a television set.

⁷ France recently enacted an online gaming tax (to fund public heritage preservation) assessed on bets, but industry operators are pushing for referring to gains as taxable basis instead. France also proposed a new tax in 2011 assessed on turnover of internet companies (to fund cultural content creation), the so-called "Google tax," but it has not been enacted. France is still actively investigating how to attract in the French tax net the French source advertising revenue from internet operators located abroad.

⁸ Generic term referring to tax on entertainment admissions and tickets.

Which sectors of culture are benefiting from the tax benefits?

Out of 18 countries, 10 do not support a cultural sector in particular and have tax policies in place for all sectors.

- ▶ **The cultural sector most supported (by number of tax incentives) is without a doubt the film industry.**
 - ▶ Some countries have developed quite a sophisticated and proactive tax policy for the movie industry, including Australia, Brazil, Canada, India, Italy, Mexico, France and the US.
 - ▶ Such countries have notably adopted tax policies encouraging the development of local industry and attracting foreign film-makers for local productions, on top of the usual tax financing incentives based on production costs and film rights amortization.
- ▶ **All countries use the tax policy tool to preserve national heritage**, with especially intense usage by Italy, Spain, Russia, Japan, the UK, Greece, Australia and France.

Country	Cultural sector most supported (by number of measures)
Australia	Culture in general, ⁹ heritage, movie industry
Brazil	Culture in general, movie industry
Canada	Movie industry, video games, digital innovation
China	Culture in general
France	Culture in general
Germany	Live performing arts, heritage, music industry
Greece	Culture in general
India	Movie industry
Italy	Movie industry, heritage, television broadcasting, music industry
Japan	Culture in general, heritage
Mexico	Culture in general, movie industry
Russian Federation	Culture in general, heritage
South Africa	Movie industry, sports
South Korea	Culture in general
Spain	Heritage
Turkey	Heritage, live performing arts
UK	Heritage
US	Culture in general, films and heritage

⁹ Culture in general means that most sectors of culture are equally covered by cultural tax policies.

Points of convergence

Developing the universal tax tool box

The survey indicates that cultural taxes enacted throughout the world tend to be rather comparable and are relatively limited. They center mainly on entertainment taxes levied on turnover generated by some cultural activities and television reception taxes.

However, various techniques are used by lawmakers in the field of tax incentives, and 338 of those were identified during the survey.

Tax incentive technique	Definition	2009-11 average	
		Number identified	%
Tax exemptions	Exclude qualified persons or categories of persons from being liable to tax; can be permanent or temporary, can also exclude specific activities from the scope of tax	148	43.8%
Tax credits	Give a credit against tax payable for qualified actions (e.g., expense, investment); results in a reduction in the tax payable in cash (cash tax benefit)	81	24.0%
Deductions from taxable income	Allow a deduction from taxable income, ¹⁰ relates mainly to income taxes and can take various different forms in practice ¹¹	69	20.4%
Reduced rates of taxation	Provide a tax rate lower than the normal rate, permanently or temporarily	26	7.7%
Other	Tax-free zones, capped tax amounts, deferral tax benefits ¹²	14	4.1%
Total		338	100%

¹⁰ Generally, for income tax purposes, the taxable income (basis upon which the tax rate is applied) is determined net of tax-deductible expenses. Tax-deductible expenses and non-tax-deductible expenses are determined by the law. Allowing a deduction for cultural purposes regarding a non-deductible expenses under general rules will mechanically reduce the tax payable, thus improving profit after tax (not the profit before tax, which remains unchanged).

¹¹ Full, partial, increased or accelerated deductions (for expenditures and general expenses) or accelerated depreciation (on fixed assets, subject to amortization over time, a key driver in capital-intensive industries like movies and editing and publishing).

¹² Postponing of tax charge or spreading the taxation of an income over more than one tax period – usually providing cash tax benefits, notably when tax rate changes over time or in presence of tax losses carried forward.

The exemption is the most used technique, followed by tax credits and tax deductions. There are also various miscellaneous tax regimes (under “Other” category), including quite diverse and sophisticated provisions.

Each technique obviously does not provide the same taxpayer benefits – cash-tax saving, tax deferral, tax breaks for a limited period of time – a fact that lawmakers must consider depending on the strategies pursued.

There is also a correlation between the techniques used and the category of beneficiaries targeted.

Exemptions and reduced tax rates tend to exist in favor of operators in the cultural sector, whether they carry out lucrative or non-lucrative activities, whereas tax credits and tax deductions are generally targeting investors and may also depend on their lucrative or non-lucrative intent.

Tax incentive techniques can be applied to all of the main categories of taxes, providing many possible combinations and opportunities for a culture-oriented tax policy.

The scope of tax incentives is conceptually very broad because taxation in the cultural field can be triggered by a larger number of events throughout the culture value chain.

Indeed, the instants of taxation can be broadly classified as follows:

- ▶ **Ownership or use of a real estate:** real estate taxes
- ▶ **Capital gain:** tax due on increase in value between acquisition and disposal of cultural asset
- ▶ **Transfer of assets:** tax due on cultural assets transfer (with or without a gain) such as registration duties, stamp taxes, transfer taxes
- ▶ **Income and earnings:** income tax (individual and corporate income tax)
- ▶ **Inheritance and donations/gifts:** tax on transfer of assets by effect of death or donation/gift
- ▶ **Revenues and turnover:** taxes assessed on sales, VAT, consumption taxes
- ▶ **Wealth:** tax assessed on individual wealth (in addition to individual income tax)
- ▶ **Businesses assets and activities:** taxes assessed on certain assets or activities (often levied at a local level)
- ▶ **Import and export of cultural assets:** custom duties

Case study: television reception taxes

The taxes are generally assessed on owners of television sets, whether the owner is an individual or an organization. It is very often a fixed amount and is levied annually.

It is enforced in Italy, France, Germany, South Korea, Greece and the UK. Proceeds are quite significant in volume and generally are used for the financing of public television channels and radio broadcasting.

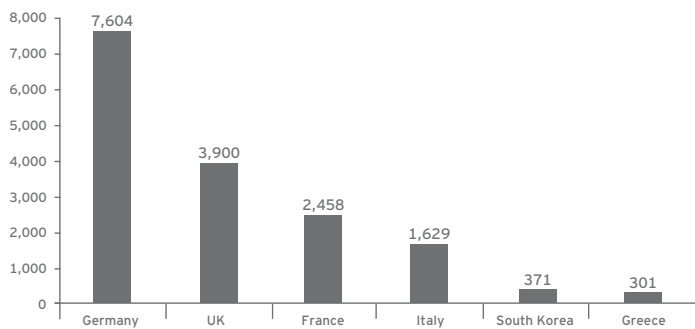
As a condition of this financing, most public channels in these countries have domestic content quotas.

Also, their advertising capacity is often limited by the regulator, such as in the UK (BBC) and France (France Télévisions Group, which is under progressive transition to a non-advertising model).

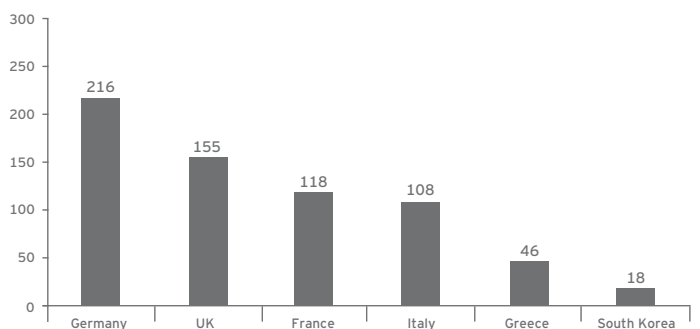
The main difference is therefore in the amount of annual tax due per taxpayer and related annual proceeds in volume, as illustrated below, which shows significant differences.

One should note that TV reception taxes are also in force in other countries out of the scope of the survey, including Denmark, Ireland, Norway, Sweden, Switzerland, Austria and Finland.

2009 proceeds from television reception tax (in € millions)



2009 annual amount of tax due per television set (in €)



The objectives pursued by lawmakers

Taxes \ Incentives	Tax exemptions	Tax deductions	Tax credits	Reduced rates	Others
Corporate income tax	<p>← Focus by cultural sector →</p> <p>← Focus by beneficiary →</p>				
Individual income tax					
VAT and sales tax					
Real estate tax					
Transfer tax					
Capital gain tax					
Inheritance tax					
Wealth tax					
Business and local tax					
Custom duties					

Depending on the strategy pursued by lawmakers – in terms of cultural sectors and cultural operators to be addressed – the tax toolbox provides almost unlimited combinations and opportunities.

Based on countries' use of the toolbox, what objectives are they pursuing through cultural tax policies?

The main strategies identified by the survey are as follows, as shared by most countries under review:

- ▶ Increased access to culture (per inhabitant, or in volume, notably for middle classes and rural areas in emerging countries)
- ▶ Reduction of the cost of access to culture (from an end-user/ consumer perspective)
- ▶ Increasing the volume of private financing of culture (e.g., donations, charities, patronage), as an alternative or complement to state action
- ▶ Preserving national patrimony and heritage by facilitating direct public acquisition, transmission of cultural items among generations (e.g., inheritance), and of course conservation and transfer from private to public or to NPOs
- ▶ Increasing the involvement of NPOs in the promotion and development of culture, alongside public and private operators
- ▶ Facilitation of the culture-creation process, taking into account the specificity and needs of creation in the cultural sector
- ▶ Facilitation of the financing of capital-intensive cultural industries (e.g., financing of investments notably for film production, distribution and communication networks)

Cultural tax policies all face the same dilemmas.

One explanation for such diversity of objectives and strategies is that tax policy-makers face difficult dilemmas in reconciling the following considerations:


- ▶ Cultural objectives as considered from the public interest perspective (promote and develop culture)

- ▶ Economic and globalization concerns, making it more and more necessary to support the domestic commercial sector agents (e.g., individuals and companies) operating in the cultural sectors, usually in a context of intensive worldwide competition – especially in the taxation area
- ▶ Political aspects, as the domestic origin and nature of supported cultural activities are not indifferent to policy-makers in view of both their national audience and the international influence of their culture
- ▶ Financial constraints derived from the limited resources of public budget and increasing public indebtedness notably after the 2008 financial crisis and the following downturn in the economy. A downturn's longer-than-expected duration creates great uncertainties in all sectors of the economy, thereby affecting the cultural sector either directly or indirectly

These objectives and constraints do not necessarily contradict each other. In fact, the survey shows that the opposite is true: they are all interconnected.

The challenge of the tax policy-makers in the cultural sector is therefore to resolve that equation under a balanced approach and within budgetary constraints.

The next section focuses on how tax policy-makers meet another difficult challenge: the way to innovation in tax policy.



From basic tax incentives to innovative tax policies

Besides the usual tax benefits and incentives, the survey identified other innovative tax provisions that can serve as leading practices and benchmarks.

It is obviously difficult to select an exhaustive list of such innovative regimes.

Some of them are illustrated in this section, by way of example, for each of the 18 countries studied.

Australia

- ▶ **An efficient tax vehicle dedicated to private funding of culture: the Private Ancillary Funds (PAFs)** are special types of trust funds designed to encourage private philanthropy by providing businesses, families and individuals with greater flexibility in arranging tax deductible donations.

Cultural organizations are one of the largest beneficiaries of PAFs.

Brazil

- ▶ **Contribution for Development of the National Movie Industry (CONDECINE)** is assessed at a rate of 11% on the revenue from licensing and distribution and on payments made to producers, distributors and intermediaries outside Brazil.

Tax proceeds (€18m in 2008) finance Brazilian film productions in the form of low interest rate loans.

This is an example of direct public financing being boosted by a cultural tax.

Canada

- ▶ **Tax credits dedicated to Interactive Digital Media products (Ontario, Manitoba, Quebec).**
- ▶ **The 2011 newly enacted Children's Arts Tax Credit:** a non-refundable tax credit (rate of 15%) based on expenses (up to CAD500) paid for the cost of a child's registration and membership in programs of artistic, cultural, recreational and developmental activity.

China

- ▶ **Corporate Income Tax (CIT) exemption** (temporary from 2009 to 2013) **for cultural commercial enterprises emerging from public bodies under the Chinese global-cultural reform:** this is one innovative practice for countries planning to transition public cultural activities to the private sector.
- ▶ **Temporary (three-year) CIT exemption for revenues derived by cable television companies from rural subscribers:** this is a leading practice for countries wishing to open larger access to culture to rural areas. It may be duplicated on internet access as well.

France

- ▶ **Cinema investment vehicles (SOFICA)** can benefit from capital subscription, upon which the corporate investor is eligible for an accelerated CIT depreciation (50%) and the individual investor for a credit against income tax.
- ▶ **R&D tax credit regime for the video games industry:** each eligible expense creates a right to a 20% tax credit, which can be offset against CIT payable. This is a typical move to transfer benefits from the traditional cultural sector to the digital economy.

Germany

- ▶ **Historical buildings and real estate benefit from tailored, favorable tax measures**, notably including:
 - ▶ Real property tax exemption provided that the income generated from the building does not exceed related costs (not-for-profit condition). Also, a discount (up to 40%) is applied on the value for assessing capital transfer tax and real property tax.
 - ▶ Increased depreciation rate for investments.

Greece

- ▶ **Taxes on use of national patrimony images or pictures** levied to the benefit of the Archeological Receipts Fund.
- ▶ **Reduce VAT rate for authors and artists** (11% in 2010, increased to 13% in 2011 due to the budget deficit remediation policy).

India

- ▶ **The local entertainment tax** (on cinema and live performance admissions) **is applicable to direct to home services** (e.g., VOD) with a specific reduced rate of 10% to 30% in 2011 (15% to 45% in 2010).
- ▶ **Entertainment tax exemption specific to cinema multiplexes** for a temporary period of three to four years, given the required investment's size.
- ▶ **Various bilateral, international coproduction treaties** (e.g., with Italy, the UK and Germany) promoting cultural exchanges and enhancing growth of Indian audiovisual industry, **provide enlarged benefit from tax incentives usually restricted to domestic productions**.

Italy

- ▶ Tax deduction granted to corporations for **donations to private concessionaires of European radio broadcasting** (up to 1% of total taxable income).
- ▶ **Tax incentive techniques to develop reinvestments in the film industry**: profits derived by film production and distribution may be exempt from CIT if reinvested on production or distribution of qualified Italian films.

Japan

- ▶ A partial CIT deduction is allowed on **reserves booked for sale returns** (e.g., publishing, music records, **including files for digital players**).

Mexico

- ▶ **Payment of income taxes due by artists is allowed in kind**: remittance of visual artworks can be used to pay income tax, under selection process by experts committee and with proceed allocation to federal government, local states and municipalities (one-third minimum each).

Russian Federation

- ▶ **The benefit from the CIT exemption on subsidies received for a special cultural purpose has been enlarged to private companies** (thus not only to NPOs).
- ▶ Entities benefiting from subsidies and grants for eligible cultural purposes may be allowed to **pay employee bonuses free of social contributions**.

Spain

- ▶ Specific income tax deduction (15% on expenses) for individuals and companies **acquiring Spanish historical heritage assets abroad to be relocated in Spain** (for a minimum relocation period of four years).

South Africa

- ▶ Specific tax deduction for **amateur sport**, NPOs and **recreational clubs**.

South Korea

- ▶ **Temporary exemption** (five years for income taxes; up to fifteen years for local taxes) **available to companies and individuals relocating into Kwangju metropolitan city (promoted as Asian Culture Central City)**, for qualified cultural-related businesses and activities (100% exemption for first three years and 50% for next two years). **This is typically an efficient acceleration tool to set up a culture center**.

Turkey

- ▶ **Extra temporary tax deduction for sponsorship to the Turkish European Cultural Capital Agency** (corporations and individuals).

UK

- ▶ **Private Treaty Sale (PTS) allows a discount on purchase price paid for artwork by public bodies** to 70% of fair market value, with the individual vendor being exempt from inheritance tax and the corresponding tax benefit being shared between private seller and public purchaser.

US

- ▶ **Specific tax deduction for intellectual property donations to charities:** tax deduction corresponding to fair market value of the assets. Additional deduction during the following decade may be claimed based on future income derived from the copyrights. **This is a prospective tax incentive.**
- ▶ **New Mexico offers a 25% tax rebate refundable as cash** on all direct production expenditures, which are subject to state tax. Basically, for each US\$100 of expenses (US\$95 + US\$5 of state tax) a cash refund of US\$25 may be available.

Innovative tax policies can also take the form of hybrid instruments.

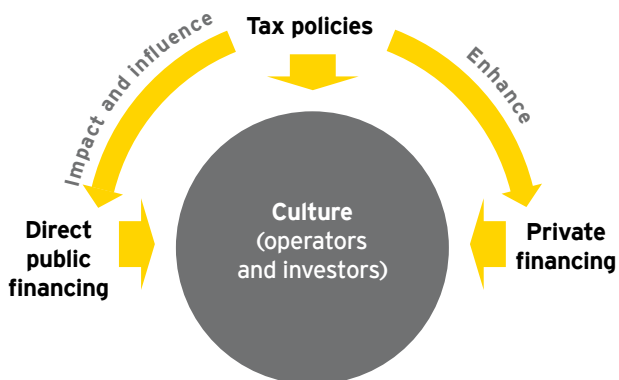
In this respect, the survey has identified various techniques that can be combined efficiently with or used alongside tax benefits and direct public financing. For example:

- ▶ **The UK National Lottery**, whose proceeds are included in the state budget and then redistributed to good causes up to 28% (£26 billion) including to the arts and the heritage sectors (€500 allocation to arts and heritage in 2009-10, on average).
- ▶ **Specific cultural contributions or funding such as in Spain, where a 1% contribution is due (on building costs) for public civil works**, the proceeds of which are used to finance conservation and enhancement of the country heritage.
- ▶ **In France, a comparable 1% contribution to arts is in force on public civil works** (assessed on total building costs) and takes the form of a legal commitment for the contractor to allocate 1% of the awarded construction budget on any public construction to the acquisition of visual arts creation from a living artist, which must be located in the building.



Tax policy as an efficient tool to develop culture

Tax policy is a key financing source for culture and an accelerator factor for other sources.



Tax policies are at the convergence of the various sources of financing for culture.

Tax policy is driving the main alternative sources of financing for culture, coming in addition to public budget direct allocation (including re-allocation of proceeds from cultural taxes).

It also directly affects and influences behaviors in the field of private funding of culture through the various tax incentives granted to individuals, companies and NPOs.

The volume of direct public financing is influenced by the tax policies' proceeds.

In this respect, there is clearly a choice for governments as to what should be the right balance between direct public financing (e.g., allocation to culture from state budget) and fiscal financing through granting of tax incentives and levying specific cultural taxes.

In practice, the choices made depend on political orientations and roles allocated to public bodies (e.g., centralized vs. federal and decentralized states; liberal vs. social models). They also largely depend on public budget constraints and flexibility for additional tax expenses dedicated to culture, given the current level of public indebtedness and the impacts of the financial crisis.

2010 and 2011 are quite instructive years in this respect, illustrating how tax policy is such a powerful leverage tool for states regarding the cultural sector. Indeed, tax policy has often helped to maintain sufficient financing for culture despite overall public indebtedness and the tough public finance remediation policies that countries adopted to face the financial crisis.

Tax incentives improve the volume of private financing of culture through donations, gifts and charities, the amounts of which can be enhanced, if not maintained, in a financial crisis environment thanks to the associated longstanding tax savings.

This is well-illustrated by the long-standing US tax model for funding charities. Indeed, the period 2008-11 shows a decrease in global volume of private funding in the US, but one can easily imagine how much more significant the decrease would have been in the absence of such a tax policy model.

The survey also found that the tax toolbox is intensively used by local authorities (e.g., regions, provinces, municipalities).

- ▶ In most countries a large number of taxes is levied locally, and local authorities often grant favorable tax rules for culture (e.g., Turkey, where the entertainment tax assessed on ticket sales is levied at the municipality level, with proceeds spent locally as well).
- ▶ This is obviously even more so for federal states (e.g., the US, Brazil and Canada), where the local states and provinces have enacted quite sophisticated tax rules in favor of cultural sectors and operators.

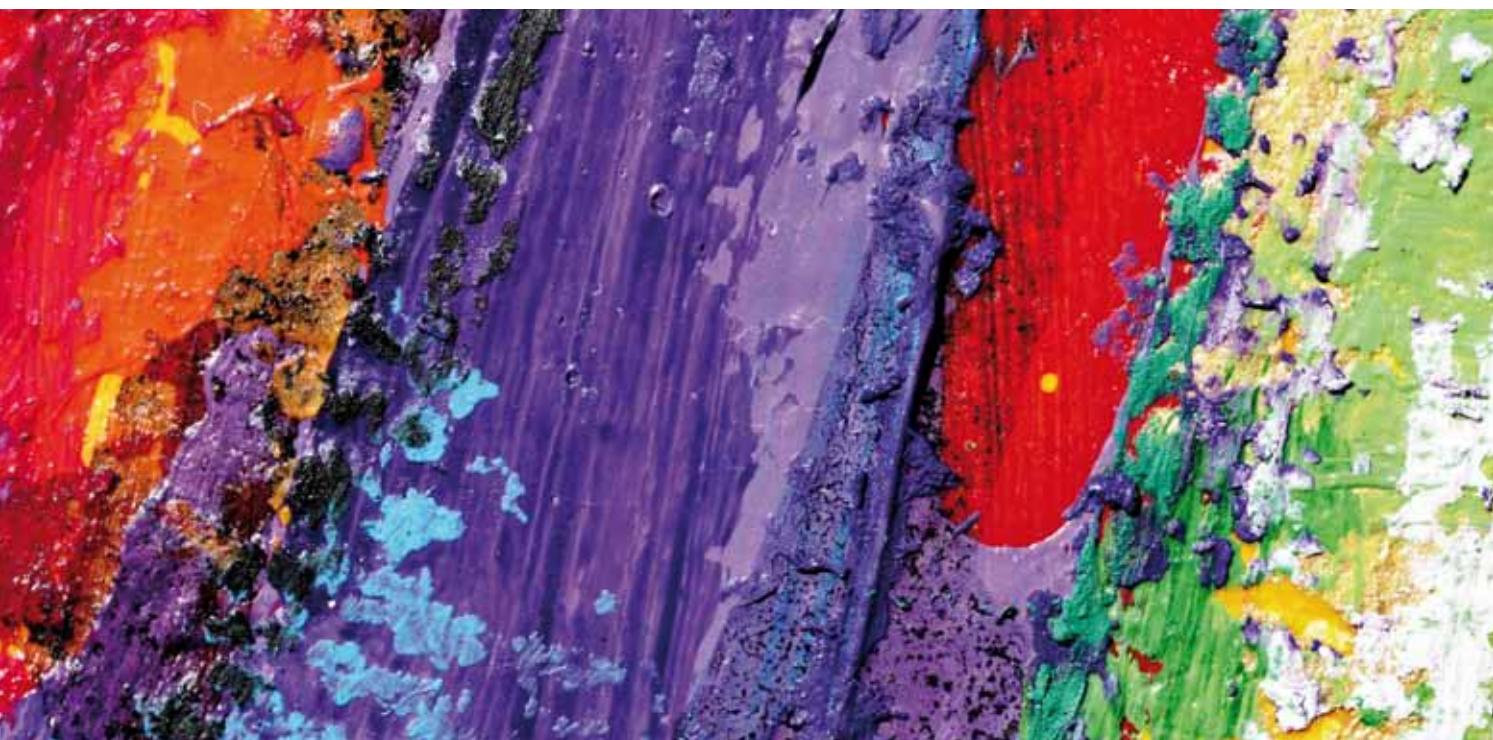
Local authorities tend to approach cultural tax policy with the same tendencies and type of tax relief as their national authorities. As a result, local action complements the state's action.

However, local authorities face a difficult situation in most European centralized states, such as France, due to the reduction in local tax proceeds because of the economic downturn. They also must address the reallocation of roles and functions from the central government to the local level, with a corresponding need for more financial resources.

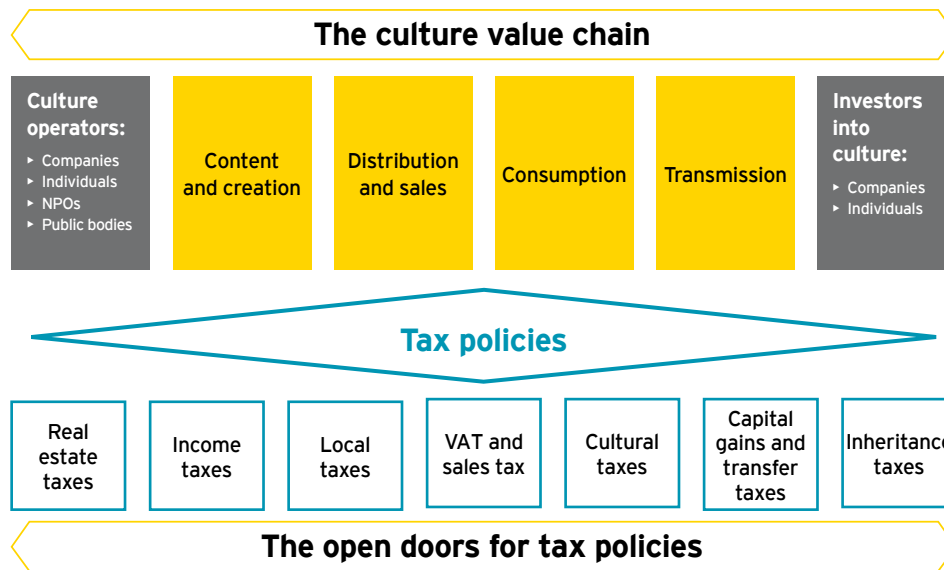
This combination has materially reduced the volume of local subsidies for arts and culture, notably for the live performing arts operators, which have had no other choice than to look at increasing private financing and merchant sector activities.

The survey also indicates that local authorities have a more focused approach than central governments, as they must take into account local culture elements such as museums, the opera, theaters, local patrimony and heritage.

In general, tax policies demonstrate strong adaptability when taking into account geographical aspects of culture, balancing the national and local actions under a coordinated and complementary approach.



Tax policies have many open doors to the culture value chain:



Tax policy – with its large spectrum of available techniques and tools – can be applied globally or individually to all of the stages of cultural development:

- ▶ The various steps of the culture value chain
- ▶ The direct and indirect cultural actors, notably from the economic perspective
- ▶ All the cultural transactions (goods, services, financial flows)

Taxes assessed on income and earnings are imposed on private companies operating in the cultural sector, as well as on individuals such as artists, actors and workers of the various cultural sectors.

Providing tax incentives to these taxpayers is a simple way to facilitate the financing of significant investments required for capital-intensive industry (e.g., films, broadcasting, editing and publishing) or to promote artistic productions and creation at the individual level.

Tax policy-makers can meet cultural policy objectives by:

- ▶ **Reducing the taxable basis** (i.e., allowing for specific deductions)
- ▶ **Determining the taxpayers, the taxable activities and – most importantly in the cultural sector – those eligible for relief**
- ▶ **Enacting favorable tax rates**
- ▶ **Easing of the payment of taxes**

Sales and consumption taxes are generally a cost for the consumers. Tax incentives in that area will typically have a significant financing impact on access to culture, as illustrated in the next section.

NPOs are very active in the cultural sectors. Tax policy will typically be an efficient leverage tool to provide them with various exemptions or reductions of taxes, which otherwise are imposed to private commercial sectors. This trend is clear through the survey results.

NPOs are largely dependent on private financing through charitable organizations. Tax policies are playing a leading role in this sector to maximize private financing by granting tax savings to the donors (i.e., grant an income tax deduction up to the amount of the donation made, the latter being grossed-up in volume by the tax savings).

Tax policy is also a quick and easy tool to preserve national heritage and historical patrimony, mainly through tax incentives for conservation expenses and various tax exemptions and reductions for the transfer of cultural assets to public bodies or to heirs (e.g., capital gain tax, inheritance tax, payment of taxes in kind).

Taxes can be imposed either on the actors of culture (operators, financing parties, individuals, companies, NPOs) **or directly on the cultural transactions** (sales of goods, delivery of services, payments for content and artistic rights, financing).

Taxes can also be designed to apply collectively to all sectors of culture or be customized for one sector or for a particular type of manifestation, both at the national level and at the regional or municipal level.

Here are some basic examples of such diversity in tax policies:

- ▶ Tax incentives benefiting cultural events (e.g., exemption of local and sales taxes for spectacles and live performances), either permanent or temporary
- ▶ Mix of tax and financial techniques to leverage and facilitate funding for transfer or acquisition of cultural items by public bodies
- ▶ Sector aids, such as tax benefits for the film industries in almost all the countries studied
- ▶ Favorable regimes for artists, actors and workers of cultural enterprises (often part-time employees) to take into account related circumstances (e.g., unstable employment)
- ▶ Measures dedicated to the relocation of arts and national heritage in the home country
- ▶ Creation of cultural geographic centers and clusters (e.g., tax-free zones)
- ▶ Some “exotic” tax benefits (e.g., tax relief in California for owners of pioneers’ cemeteries and aircraft of historical importance)

There appears almost no limits to the imagination of tax legislators in the cultural field.



The impact of sale and consumption taxes (VAT) in the cultural sector

In most of the countries reviewed, taxes are levied directly on sales of goods and delivery of services.

These usually take the form of fixed-rate taxes charged to end users assessed on the sale price, called VAT in the European Union, Mexico, India, China and South Korea, sales taxes in the US and consumption taxes in Japan. For purposes of the report, all such taxes are referred to as "VAT".

A particular feature of such taxes is that they are not assessed on net income from the operators selling or distributing the cultural goods or services but on the act of consumption itself.

Thus, they are a final cost for the consumers and a key competitiveness indicator for the operators.

Because VAT and consumption taxes are directly assessed on sales and turnover rather than on net income, the taxable basis is large and can generate significant cash for governments.

Such proceeds are not used for specific cultural purposes, but rather integrated in the general budget of the states and local governments.

In France, for example, the proceeds from VAT account for roughly 50% of the total tax revenues.

France's total VAT incentives granted in the cultural sector are very significant as well.

For these reasons, VAT appears to be a critical area where tax policy-makers can make the difference, reducing the access cost to culture and maximizing its diffusion, while also driving the competition among the operators in the merchant sector.

It is therefore not surprising that all countries (to the exception of South Africa) have implemented favorable VAT and sales tax rules for the cultural sector.

VAT, sales and consumption tax policies at a glance

Country	Standard VAT and sales tax rate (2010)	Tax incentives for the cultural sector (2010)
Australia	10%	▶ Exemption on gifts to NPOs; higher franchise exemption for NPOs
Brazil	18%	▶ São Paulo: tax credit for amount invested in qualified cultural projects (up to 3% of VAT total charge) ▶ Rio de Janeiro: deduction up to 4% of VAT due for donation and financing of qualified cultural projects
Canada	5%-13% ¹³	▶ Tax refund available to non-residents for sales tax incurred on local cultural production and works for exports (e.g., literature, music, film); exemption of sales tax is also available to not-for-profit live performances (e.g., amateur and charities shows)
China	17% ¹⁴	▶ Exemption for broadcasting, films and television; tax ceiling for animation works ▶ Exemption for importation of arts by certain public bodies (e.g., libraries, galleries, museums)
European Union	15%-25%	▶ Various exemptions and reduced rates for cultural products and services (see case study on page 20)
India	12.5%	▶ Reduced rate of 4% (or exemption) applicable in certain states on transfer of rights on films, programs and music ¹⁵
Japan	5%	▶ Only a few exemptions are available, all restricted to NPOs
Mexico	15%	▶ Exemption for books, press, magazines, author's rights and spectacles (except cinema, theaters and circus) ▶ 0% rate for exportations of local film shoots and music recordings
Russian Federation	18%	▶ 10% reduced rate for education, science and cultural books and periodic publications ▶ Exemption for NPOs, cultural and art institutions ▶ Exemption for film-related services (subject to national film certificate) ▶ Exemption for donation of cultural facilities to government bodies ▶ Exemption for works on historical, cultural and religious monuments
South Africa	14%	▶ Exemption and preferential deduction rights and reduced rates available to NPOs
South Korea	10%	▶ Exemption for books, press, magazines, news and broadcasting
Turkey	18%	▶ Reduced rates for tickets admission (cinema, theater, opera, ballets)
US	4%-9% depending on states	▶ Massachusetts: exemption for NPOs and certain media and visual arts ▶ New York: exemption for various live shows, media and broadcasting/film businesses ▶ Louisiana: partial exemption for films, exemption for sale of arts in cultural districts ▶ New Mexico: 25% tax refund for all expenses incurred on local film productions; refund assessed on total costs, not only on sales tax actually incurred

¹³ Goods and Services Tax (GST) of 5% and Harmonized Sales Tax (VAT tax applied in certain provinces) of 13%, applied to a broad range of goods and services.

¹⁴ Reduced VAT rates in China are generally limited to primarily basic necessities, agricultural services and utility services, excluding cultural products and services.

¹⁵ The upcoming introduction of GST as from June 2012 will significantly affect the cultural sector.



Key findings – VAT, sales and consumption tax policies

Because of the amount of proceeds, VAT and sales/consumption taxes probably receive the greatest part of states' financial effort in support of culture.

- ▶ Although all countries are using similar tools (e.g., exemptions and reduced rates) and share some common objectives, the survey shows a great diversity in the measures implemented, both in terms of scope (e.g., cultural sectors and operators) and objectives – from public and national interest to more particular industry interest or competitiveness and attractiveness issues.
- ▶ Despite the trend toward globalization in the economy, there is still a great difference in countries' VAT rates. However, this is not specific to culture but a common statement for all national tax policies (e.g., corporate income tax rates international benchmark). Tax competitiveness is a reality and a challenge for all countries and is not specific to the cultural sector.
- ▶ One issue with tax policies is that they are complex and may include contradicting measures. For example, many countries have implemented entertainment taxes (e.g., taxes on movies, admission tickets and television reception), increasing the cost of access to culture for consumers, while at the same time those countries' VAT-favorable regimes generally trigger the contrary effect.
- ▶ Besides the usual exemption and reduced-rate techniques, various countries are quite proactive in using VAT (cash) refunds to non-residents so as to attract cultural activities and related revenues and spending in their territory (especially film productions).



Case study: is harmonization of VAT policies for the cultural sector within the EU still a dream?

The European Union includes 27 countries, most of which share a common currency. Members of the EU have also adopted a common VAT regulation framework.

However, the unification of VAT regulations is not fully completed, and the member states still have quite a bit of flexibility, most notably with respect to the determination of applicable rates and the scope for exemptions.

Ernst & Young surveyed how EU member states are currently using VAT policy as a tool to promote culture, focusing on the following topics:

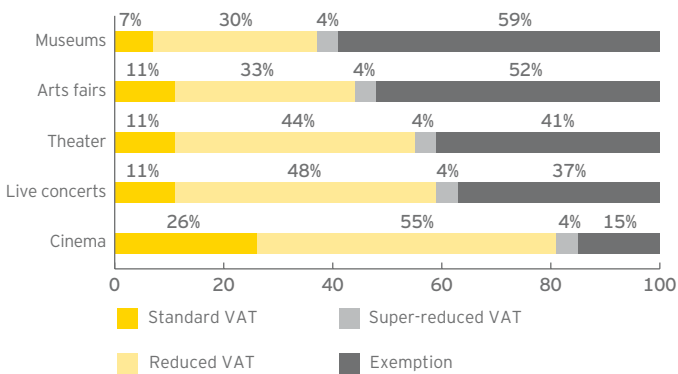
- ▶ Admission to cultural events compared to purchase of other cultural goods and services
- ▶ Sales of cultural products online vs. physical deliveries
- ▶ Internet, cable and satellite television access

The main findings of this survey, within an integrated market and a common VAT regulatory framework, are as follows:

- ▶ Within the EU, the overall trend is clearly to apply favorable VAT rules to cultural activities and products (VAT exemptions and reduced rates) when compared to other activities in the private sector.
- ▶ There are significant differences in the tax policies of member states. Notably, both normal and reduced rates are not harmonized. This is creating a very significant gap among the various member states in terms of tax competitiveness and attractiveness, in general, and in the cultural sector in particular.
- ▶ This gap deepens further if one considers the significant differences in corporate income tax rates within the EU member states (roughly from 12% to 36%).
- ▶ The various sectors of culture are not treated equally from a tax perspective.

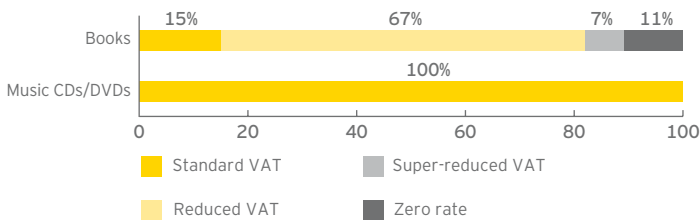
Certain detailed illustrations of these findings are described below for 2010.

Admissions and tickets



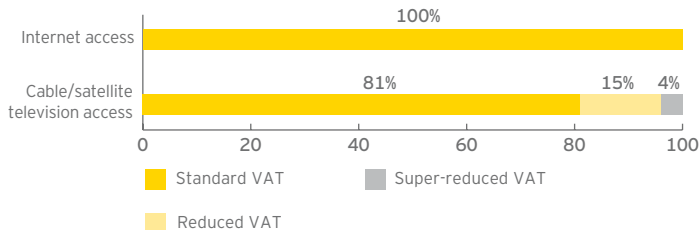
- ▶ Application of standard VAT rate is clearly an exception.
- ▶ Exemptions are accorded mostly to museums, arts fairs and theaters (and much less frequently to live music concerts and cinema).
- ▶ Not all cultural sectors are treated equally. The survey shows that efforts from lawmakers focus primarily on the "old" culture (e.g., opera, theater), a sector that is often less open to merchant activities and generally receives significant subsidies from state governments.

Books and music



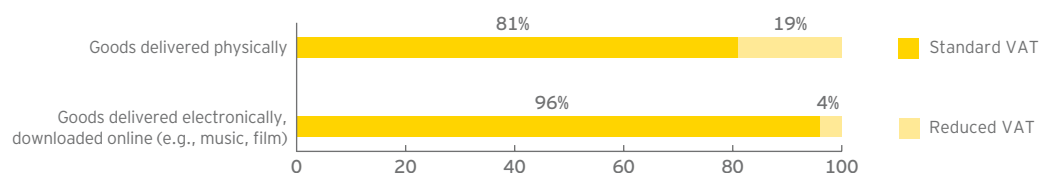
- ▶ Books are eligible for reduced rates in most instances (85%) but not as audiobooks or in digital formats such as e-books.
- ▶ Music is typically subject to normal rates.

Internet, cable and satellite television access



- ▶ There is no tax incentive for internet access.
- ▶ Normal VAT rates generally apply to television access, with some exceptions (e.g., reduced rate applicable in Spain, Luxembourg, Austria, Belgium, France).

Online sales vs. physical deliveries



- ▶ Members states do not have the same VAT rate applicable to sale of cultural products, either normal or reduced.
- ▶ Reduced rates available for physical product delivery (books) are often not available to digital products (e-books).
 - ▶ France has tried to remove the barriers in that respect. Although the current 5.5% reduced rate for books currently excludes audiobooks and digital books such as e-books, the French Finance Bill for fiscal year 11 decided under conditions to apply the rate to all downloaded contents. This change would apply from January 1, 2012, subject, however, to EU approval (consultation under way).
 - ▶ The aim of the consultation at the EU level is even broader because it targets member states coming to a consensus to expand the reduced rate to all cultural goods (physical or digital).
- ▶ In some countries, there were specific rules applicable to the determination of the taxable basis for online sales of cultural products, distinguishing between technical support provided by online sellers – the delivery process, subject to normal rates – and the sale of cultural content, subject to reduced rates most of time.
- ▶ The combination of those divergences in VAT tax policies provided a significant competitive advantage to some online sellers depending on their establishment location within the EU. Related impact was even greater given the significant divergences also existing between member states in terms of corporate income tax rates.
 - ▶ Luxembourg and Ireland are good examples where the combination of low corporate income tax rates and specific VAT rules have provided online sellers established in those countries with a competitive effective tax rate for their EU operations and thus a greater ability to monitor final sale price to consumers.
 - ▶ Indeed, the place of taxation, which determines the applicable local country VAT rate, used to be the place of establishment of the online seller. Under the so-called “common EU VAT package,” however, the place of taxation should now be as a general rule the location of end users (taxation at enjoyment location to be effective no later than 2015). Thus, in Luxembourg, the normal VAT rate (15%) is now applicable to all services delivered electronically, since January 1, 2011.
- ▶ Favorable VAT regimes, when available, appear to be mainly restricted to physical deliveries, except for a few identified countries.

The difference in treatment accorded to the traditional brick-and-mortar economy and the internet sector is posing a dilemma for lawmakers in tax policy, both when considering the online culture in general and the internet in particular as a cultural medium.

In that context, the objective for the EU authorities is to harmonize as soon as possible the reduced VAT rates in the cultural field, regardless of the delivery process (physical vs. online), and to enlarge the benefit to all cultural products and services without distinction.

This course of action will stop unnecessary competitive differences between the operators and ensure equal treatment for the consumers of cultural products in the EU.



How cultural tax policies diverge

The following sets forth some examples of divergence in cultural tax policies.

► **The use of tax policy as a tool to finance culture is not the same among the 18 countries studied.**

The degree of sophistication of any tax policy appears to depend on the level of economic development, so that developed countries tend to have more sophisticated and complex tax policies.

Also, in countries facing great development issues, the financing of culture may be less of a priority, especially should it result in lower tax revenues for the governments.

► **Various countries are reluctant to enact cultural taxes and therefore are focusing on tax incentives:**

- Of the 18 countries surveyed, 11 have enacted cultural taxes, most of the time in a very limited number. France is the country with most cultural taxes (14), followed by Greece (9) and South Korea (3).
- For most other countries, developing culture by levying cultural taxes remains an exception rather than a general rule.

► **Countries with limited government intervention tend to give priority to the tax incentives encouraging private financing of culture as an alternative to public financing.**

This is typically the situation in Anglo-Saxon countries, where most tax incentives are granted to individuals and companies to maximize the private financing of culture among other charities and causes such as religion, medical research and education.

Also in those countries, the direct public financing (e.g., the National Endowment for Arts in the US) is granted only when the beneficiary institution is generating at least a certain level of revenues on its own (e.g., 50%).

Tax incentives to NPOs can allow those institutions to maximize self-generated revenue and meet the requirement for public subsidies.

The UK tax policy for the cultural sector favors tax incentives based on spending, rather than direct decrease in the tax burden (e.g., reduced rate).

► **To date, only a limited number of countries have enacted tax benefits specific to the online culture, the digital world and internet.**

However, more countries are introducing such benefits.

► **Some of the countries that are levying taxes specifically to fund the cultural creation process are now debating about the opportunity to increase the scope of application of such taxes to internet operators and online sellers as well (or to create new cultural taxes specific to those businesses).**

The underlying objective is to capture in the local tax net the revenues and benefits derived from domestic consumption and related advertising by the globalized internet operators, often established abroad, so as to increase the financing of local culture creation.

Such tax debates are of course closely intertwined with other key culture issues, like creation financing and enhancement, protection of copyrights, literary and artistic property and country appeal.



STAGE DOOR

The new challenges for cultural tax policies

The survey helped to identify various significant challenges for tax policy-makers.

The tax pressure test

One significant limitation for any tax policy is the acceptable tax pressure that can reasonably be imposed on taxpayers without endangering the objective of culture promotion and development.

Creating additional taxes for cultural purposes may be a powerful tool to increase financing, but it should be carefully weighed in light of each local country's "tax pressure test."

Indeed, states' budgets are already largely funded with proceeds from general taxes (e.g., VAT, corporate income tax, individual tax), which are in turn used to finance the direct public support to culture (e.g., budget of the ministry of culture).

These general taxes constitute an already high burden on taxpayers, and high tax levels often extinguish the capacity for direct private financing of culture. It will be interesting to see whether the increase of taxes for high-wealth citizens being debated in the US will have a significant impact on charitable donations, when enacted.

How to factor in the principles of equality and fairness of contribution to the tax effort

Tax incentives are the exception to general tax rules. As such, they are debatable – as a matter of principle – because they often benefit a limited number of taxpayers.

They are often perceived as a breach of a general principle according to which all citizens should be treated equally for tax policy purposes, as is the case in most countries studied. This principle is supposed to be the basis of the tax policies in the various countries studied and often leads to a natural tendency to limit the number of tax incentives.

It also appears that, due to the technical modalities of the cultural tax incentives granted, such benefits tended to flow more to high-net-worth individuals (e.g., investors in culture). The use of such tax tools therefore creates political debates in some countries.

Also, under the new dematerialized economy, there is a tendency in some countries (mostly in Europe) to levy taxes for the benefit of specific cultural sectors and operators (paper press, heritage, public operators) in order to finance modernization efforts (e.g., numerization). In addition, often the TV, internet and telecom private companies are, as media operators, subject to specific taxes, with the proceeds being allocated to public operators or traditional cultural sectors (e.g., France).

A lack of regular impact and efficiency review for tax policies in the cultural sector

One significant challenge for tax policy-makers is to evaluate the tax policies in favor of culture, so as to assess their actual economic and fiscal impacts, as well as their efficiency, in an effort to identify improvement areas and new opportunities.

In that respect, one finding of the survey is that there is a lack of means and reporting tools to evaluate cultural tax policies. A review of the actual efficiency of the tax policies in place may not be carried out regularly in all countries. And the complexity of some of the national tax systems also makes it difficult to assess the actual efficiency of both individual tax provisions and the whole tax policy.

Combination of tax techniques obviously provides greater targeting, but it reduces the clear transparency of the separate elements of tax systems and may lead to contradictions.

Budget constraints make it necessary to rethink cultural tax policies

Country	Public financing of culture 2008-09 vs. 2007-08	Public financing of culture 2011-12 vs. 2010
Australia	-	-7.3%
Brazil	-24.74%	-6.1%
Canada	0%	+0%
China	+17.9%	+10.5% ¹⁹
France	+3.9%	+1.1%
Germany	+9.09% ¹⁶	+2.4%
Greece	+1.63%	-19%
India	+55%	-12% ²⁰
Italy	+2.14%	-55.21%
Japan	+36%	+0.7%
Mexico	-29%	+18%
Russia	+3.7% ¹⁷	+33% ²¹
South Africa	-	-7.2%
South Korea	+4%	-2.73%
Spain	+5.6%	-14%
Turkey	+21.3%	+11.65%
UK	-3%	-6.7% ²²
US	-14% ¹⁸	+10%

¹⁶ 2010 vs. 2007

¹⁷ Forecast 2010 vs. 2009

¹⁸ 2009 vs. 2007

¹⁹ +205% since 2006

²⁰ 2010 vs. 2009

²¹ +102% since 2007

²² Data for 2010 vs. 2009

Granting tax incentives is an expense for the state. It has a direct impact on the state's budget, similar to direct public spending in the cultural sector.

In that respect, the 2008 financial crisis, the ensuing downturn in the economy and all of the associated impacts on economies are a challenge for all countries, as is the increase of public indebtedness all around the world.

As a direct consequence, the direct public financing of culture through national budget allocation has decreased in 2011 for nine of the surveyed countries as compared to prior years.

It is interesting to note that a significant budget increase for culture was enacted in some emerging countries (Turkey, Mexico, China, Russia) but not in all (Brazil, South Africa).

Some European countries have been able to maintain low growth rates on public budget for culture (France, Germany). However, the 2011 budgets included significant restrictions for most indebted countries (Greece, Italy).

Tax policies are increasingly becoming a matter of setting priorities among all the competing and financing needs to be addressed by governments.

Culture is already not a top priority in various countries, and the trend is not expected to change in the coming years.

One good example was the 2010 debate in the US on lowering the ceiling on income tax deductions for charitable donations.²³

The purpose of such a possible tax change – and subsequent increase – was to finance the reform of the health policy.

According to a 2010 study, roughly 50% of US taxpayers would be inclined to reduce donations in the event of a significant tax reform, which could cause an estimated 2% decrease in global private financing of charities, resulting in billions of dollars less revenue for charities in general and the cultural sector in particular.

Growth in the funding of US federal programs has been slowing in recent years, and federal funding for 2012 is reportedly going to be cut (one of numerous compromises in budget discussions among legislators). Individual state cultural agencies in the US have generally been more volatile in response to economic recession than federal programs, so that reductions in state funding can be expected as well.

²³ The ceiling is currently fixed at 50% of donations under a certain annual revenue threshold, subject to a phase-out for wealthier individuals.

However, because states are competing among themselves for business attractiveness, state and local-level tax incentives for industries such as film and television production in the US may be preserved, in whole or in part.

Some commentators claim that a portion of the pool of private, public and philanthropic capital has been permanently lost in the US as part of this recession, and that a restoration of the market and economy may not necessarily restore the earlier levels of support of arts and culture. However, this remains to be seen.

Another important topic for tax legislators is the need to prioritize environmental protection, energy mix revisions, social security and public health refinancing in various countries, thus mobilizing very significant financial budget efforts. In that context, it is becoming urgent to reconcile tax policies in the cultural and economy sectors.

Indeed, governments' ability to reduce taxes is becoming more and more limited. Thus, an efficient tax strategy for the cultural sector could be to focus on tax incentives that create value and activities in the economy, from which government and citizens will benefit in turn.

In that respect, there is a need for more stability in tax policies in the cultural sector. In fact, long-term tax strategy is required to secure winning strategies, notably for NPOs and private operators.

The pros and cons of not-for-profit status

In many countries, the tax incentives in the cultural field are granted subject to a not-for-profit status, as are public subsidies. This can, in practice, limit the ability of operators from the merchant sector to invest more into culture.

Determining the right balance of tax aids between private companies and NPOs is not an easy task.

Offering further tax incentives to the merchant sector can be an efficient way to increase culture financing and creation.

In the same way, the survey shows that in various countries the financing of culture can be enhanced through more merchant activities being conducted by not-for-profit organizations.

Tax policy-makers should adopt a pragmatic approach when addressing those issues and promote a proactive collaboration between all actors of the cultural area, either with lucrative or non-lucrative intent.

In practice, we see numerous signs that NPOs faced with limited options, choosing to expand their merchant sector activities so as to compensate for the decrease of public subsidies (notably in the live performances sector).

Invent new tax policies for the modern culture and all its new business models

The modern culture – online culture, digital world, web 2.0, internet, online deliveries, cloud computing – appears to benefit from fewer tax incentives than the so-called traditional culture. This does not appear to be for ideological reasons but rather due to the recent appearance and quick development of the internet and digital technologies.

However, the trend is inverse in some of the countries studied. The survey allowed us to identify the leading practices of current tax policies in that area. One great difficulty is that the usual tax policy tools are not always easily adaptable to all those new business models in rapidly changing markets, especially in a non-physical environment.

One lesson from the survey in that respect is that tax policies should focus more on addressing the technical and operational aspects of the digital economy and internet operators. Indeed, often those operators provide both technical support and services (e.g., media, delivery process) and an access to a cultural product (e.g., content).

Neither aspect can be addressed in the same manner for tax purposes, as shown by the European Union VAT case study.

Tools should be available in the tax policies to distinguish in a single transaction between the technical support, the delivery services and the cultural content sale.

It should thus be possible to design tax incentives, where appropriate, for each component of the transaction, focusing again on long-term strategy with stabilized tax legislation.

The various interactions among tax policies, the global competition economy – out of which tax competition is only one aspect – and all the non-tax regulations and aspects of digital culture and the internet (e.g., copyright protection) are key elements to consider in that respect.

These interactions are creating an additional level of complexity for governments trying to determine a consistent approach for the creation, development and protection of culture, from legal, political and financial standpoints.

Conclusion

In conclusion, the survey conducted over the 2009-2011 period confirms that tax policy is a leverage tool available to governments for promoting and developing culture.

It can be a very powerful tool, especially when appropriately designed so as to meet all the intricate and common objectives of both culture and economy.

A common and harmonized approach from governments in that respect is all the more necessary so as to avoid unnecessary competitiveness discrepancies, affecting both the local countries' economies and the various operators of the cultural sector.

As for the vast diversity of taxes in the part of the world we studied, the competitiveness between industries, countries and actors plays a strong role in selecting the most efficient actions.

Measurement combined with a strong political action will be key to the objective of simplification of tax policies in the cultural sector, which is constantly challenged by both the lobbies and the creative talent of our legislators.

In comparison to the survey period, tax policy in the future can be expected to be an even more efficient tool to improve financing of culture due to the global public debt constraint.

Indeed, indirect financing of culture through tax incentives may be more acceptable from a political standpoint than a further increase of direct public financing.

Also, proactive tax incentives based on spending and actual private investments in culture should be more efficient to develop culture, without causing a significant impact on the government debt – provided that the legislators be able to maintain both stability and innovation in the lawmaking process.

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FORUM D'AVIGNON 2011



The Forum d'Avignon aims at strengthening the links between culture and the economy, suggesting subjects for reflection at global, European and local levels. The Forum d'Avignon was created after the ratification of the UNESCO convention on cultural diversity, and since its beginning, has been backed by the French Ministry of Culture and Communication. Each year the Forum organizes, with its partners, international meetings which provide opportunities for unique discussions and exchanges between actors from the worlds of culture, the creative industries, the economy and the media.

A think tank dedicated to culture

Each year the Forum d'Avignon publishes new studies highlighting the essential links between culture and the economy, on themes suggested by its Advisory Board. Throughout the year these themes are examined and proposals put forward by working groups that are organized by the Forum d'Avignon with experts, international consulting firms and its public and private partners. The Forum's think tank tackles subjects such as culture, financing and economic models; culture and attractiveness of the territories; culture and digital ; culture and innovation. For its third edition in 2010, six publications have been produced for the Forum d'Avignon, following the three studies presented in 2009.

The international meetings of culture, the economy and the media

An international and cross-sectoral event associating debates and performances by artists, the Forum d'Avignon is a field for reflection in which the economic dimension of culture and the roles of social cohesion and job creation in cultural areas are being explored. The Forum d'Avignon is where concrete proposals, unique networking opportunities, heritage and innovations discoveries are brought together. The directions explored each year are disseminated among national and international authorities. Over 400 committed people come together: artists, chairmen, writers, professors, film directors, philosophers, students from international universities, representatives of the creative and cultural industries. The diversity of the points of view is also symbolized by the cosmopolitan diversity of the speakers, coming from all over the world.

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Ernst & Young's global tax policy network has extensive experience of helping develop and implement policy initiatives, both as external advisers to governments and companies, and as advisers inside government. Our dedicated tax policy professionals and business modelers help address your specific business environment and improve the chance of successful outcome.

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