



Department of Creative Industries, Tourism, Hospitality and Sport
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To whom it may concern

Thank you for the opportunity to provide feedback on the discussion paper, *The Art of Tax Reform: Unlocking opportunities to improve taxation for Australia creative industries*. NSW Small Business Commission welcomes the Department's commitment to improving tax policy and viability of creative industries businesses. This submission draws on recent consultation and a targeted July 2025 survey of 411 small businesses, 12 per cent of which operate in creative sectors. The Commission identifies three key areas for reform: payroll tax, land tax, and access to affordable insurance. These reforms will ensure creative small businesses can grow sustainably, employ staff, and remain viable amid economic pressures.

The NSW Small Business Commission (the Commission) is an independent statutory office of the NSW Government, providing strategic advice, advocacy and dispute resolution services to support a thriving small business sector. It routinely receives feedback from small businesses on state-based tax-related burdens, particularly concerning payroll tax and land tax.

The Commission acknowledges that a significant proportion of businesses operating in the creative industries are likely to be charitable and therefore exempt from state-based tax or duties. However, due to the broad definition of creative industries, there would be a substantial number of businesses that would be liable. Small businesses have consistently raised concerns, particularly about the structure and impact of payroll tax. Unlike other taxes that may be reduced or waived in years when a business operates at a loss, payroll tax remains payable regardless of financial performance. This creates a heavy and inflexible financial burden. Moreover, many businesses report that payroll tax directly impedes their ability to grow and recruit new staff. Despite steady increases in wages, the payroll tax threshold has remained unchanged, diminishing its intended relief effect over time.

The Commission has also heard that compliance with payroll tax requirements is costly and administratively complex. The broad definition of taxable wages, encompassing contractors and provisions related to business grouping, often requires businesses to seek technical advice, increasing their compliance costs. The Commission has previously advised the NSW Government that contractor provisions are frequently misunderstood and poorly applied, leading to unintended liabilities. These obligations are frequently passed on to the contracting entity, often a small business, further compounding the burden.¹

¹ NSW Small Business Commission (February 2025), [Submission to NSW Parliament – Inquiry into the application of the contractor and employment agent provisions of the Payroll Tax Act 2007](#).

Similar concerns have been raised in relation to land tax. Small businesses have advised the Commission that steep rises in land values have triggered unexpected tax obligations, placing pressure on operating costs. For instance, one stakeholder reported that an industrial property acquired six years ago, initially valued well below (half) the land tax threshold, has since doubled in value, crossing the land tax threshold and resulting in newly incurred tax liabilities.

Survey Insights from Creative Industry Businesses

In July 2025, the Commission surveyed small businesses with ANZIC codes related to creative industries. Of the 411 businesses that responded, 49 (12 per cent) self-identified as operating within the overarching arts and creative industries, as defined by the NSW Government.

The Commission noted that several respondents who did not self-identify as part of the creative industries were in sectors such as Arts and Recreation Services (ANZSIC Division R) or Accommodation and Food Services (ANZSIC Division H).² This highlights the need for greater awareness and clarity about which types of businesses fall within the creative industries, given the NSW Government's broad definition encompasses a wide range of businesses that the community may not typically recognise as part of the industry.

Of those who did identify as operating within the arts and creative industries, the top sectors were design, architecture, or fashion (35 per cent), visual arts or crafts (16 per cent), creativity in the food and beverage sector (13 per cent), and music (10 per cent).

Payroll tax impacts

Among survey respondents operating in the arts and creative industries, 38 per cent (23 out of 49) indicated their business is currently registered for payroll tax in NSW. Of these businesses, 34 per cent indicated the current payroll tax threshold and rate has negatively affected their ability to hire or retain staff, with the impact ranging from moderate to significant.

Among those businesses who reported operating within the arts and creative industries, 59 per cent reported having no employees. However, insights from the survey suggested non-employing businesses could be indirectly impacted by payroll tax through the passing on of costs through contractor or labour hire arrangements. Of the survey respondents, 13 per cent indicated they were indirectly impacted by the transfer of payroll costs through these arrangements, while a further 28 per cent of respondents were unsure whether they had been indirectly affected, further highlight the ambiguity of these provisions.

The respondents also noted the following consequences from these indirect impacts on their business costs or operations:

- the additional cost burden
- pressure on profitability
- increased input and staffing costs
- reduced staffing capacity
- need to raise prices to offset higher input and compliance costs

² ANZSIC Division R (*Arts and Recreation Services*) includes sub-classes such as Performing Arts Operations, Creative Artists, Musicians and Entertainers, and Sports and Physical Recreation Activities. ANZSIC Division H (*Accommodation and Food Services*) covers businesses like pubs, bars, cafes, restaurants, and function venues.

Land tax implications

Of those who operated in the arts and creative industries, 24 per cent indicated they owned and operated their own premises, while 31 per cent operated under a leasing agreement. The remaining operated from their own residential premises (27 per cent), did not use a fixed location (7 per cent) or utilise other arrangements (12 per cent).

Additionally, 42 per cent of respondents reported that land tax had increased the cost of operating their business, either directly or indirectly. Several respondents proposed potential reforms, including reducing land tax for properties leased to creative enterprises, introducing a levy on vacant commercial properties to encourage affordable space activation, and offering exemptions or rebates for creative use. There was also support for mechanisms to manage sudden increases in land tax liabilities driven by rapidly rising property values. Respondents noted the absence of indexation for land tax thresholds has resulted in more properties becoming liable over time, leading to escalating tax bills.

Other duties, levies and fees

In addition to payroll tax and land tax, respondents identified several other government taxes, fees, and levies that impact small businesses operating within the arts and creative industries. When asked which taxes or levies had affected their business, respondents nominated Motor Vehicle Duty (22 per cent), Fire and Emergency Services Levy (20 per cent), Stamp Duty (19 per cent) and Liquor Licensing (10 per cent).

Pathways for reform

While there is no single definition of a small business, NSW Treasury supports the use of two preferred definitions: one based on annual turnover (annual turnover less than \$10 million) and the other based on workforce size (a workforce fewer than 20 full time employees). The Commission recommends reviewing payroll tax thresholds to ensure small businesses meeting these criteria are not inadvertently captured. The payroll tax threshold was originally intended to shield small businesses from liability, yet it has not been adjusted since its last increase on 1 July 2020, despite rising employment costs, including national minimum wages increases, higher superannuation contributions, and workers compensation premiums.

Currently, NSW businesses with an annual payroll tax liability of \$20,000 or less have the option to elect to lodge and pay annually rather than monthly. This threshold raised from \$12,000 on 1 July 2019, has also remained static for the past four financial years. In contrast, other jurisdictions offer more generous thresholds, for example, Victoria exempts monthly lodgement for liabilities under \$100,000, and the ACT's frequency threshold is \$80,000 or less. Allowing more businesses to lodge less frequently (quarterly, bi-annually or annually) would ease compliance burden and improve cash flow, allowing small businesses to reinvest in areas critical to their sustainability and growth.

The Commission acknowledges previous NSW initiatives, such as the Jobs Action Plan Rebate (for registered payroll tax businesses) and Small Business Grant (for small businesses not liable for payroll tax) which aimed to incentivise employment growth. However, these relief measures proved to be highly onerous, with many third-party advisors profiting off the schemes because of overly cumbersome recordkeeping and application or lodging process. As a result, the intended financial benefits were diluted, and many small businesses were unable to access the full value of support. The Commission supports the development of a similar scheme that offers meaningful rebates or relief to help small businesses scale and manage employment-related tax obligations. However, it is essential that any new program be designed with streamlined, user-friendly processes to ensure accessibility and minimise administrative burden so that small businesses are able to take full advantage of any financial benefits.

To support the growth of creative industries in NSW, the Commission recommends exploring targeted payroll tax relief by automatically exempting businesses in this sector from grouping provisions for a defined period, or by expanding the criteria for exemption. Creative startups frequently rely on capital financing arrangements that result in common ownership structures, which unintentionally trigger payroll tax liabilities under current grouping rules. These obligations can discourage business expansion and impose a disproportionate burden on early-stage enterprises. In light of ongoing challenges many small businesses face in securing finance on reasonable terms, such relief could offer meaningful support and incentivise entrepreneurs to scale their operations, collaborate more freely, and strengthen their presence across NSW.

Small businesses in the creative industries across NSW are under increasingly unsustainable pressure due to the escalating cost and shrinking availability of essential insurance products. Surveyed businesses, in verbatim comments, reported steeply rising insurance costs, with some citing workers' compensation premiums tripling and general business insurance becoming unaffordable. Mandatory cover such as public liability, contract works, and personal accident often adds a heavy fixed cost before any revenue is earned. Taxes and levies on insurance, including stamp duty, were seen as unnecessary pressure, with calls for relief through premium subsidies, exemptions, or halved stamp duty. Overall, insurance was described as a major cost driver limiting hiring, investment, and competitiveness.

Artists and live music venues, as reported in the media, face public liability premiums up to ten times higher than before, with GST and stamp duty adding thousands in costs.³ Coverage such as public liability, professional indemnity, event cancellation, and property insurance is vital to the legal and safe operation of businesses in sectors like music, performing arts, film and television production, visual arts, festivals, and design.

Many small businesses and not-for-profit organisations within the creative industries report being priced out of appropriate coverage or being unable to secure necessary policies at all. This severely limits their capacity to operate venues, stage events, tour productions, or meet contractual obligations set by funders, venues, and partners. To address this challenge, the Commission recommends investigating targeted tax exemptions, concessions or rebates to help eligible creative manage the burden of rising insurance premiums.

Thank you for the opportunity to make a submission. If you require further information, please contact my Executive Officer, at either commission@smallbusiness.nsw.gov.au or (02) 9372 8767.

Yours sincerely

Catherine Ellis
Acting Commissioner
NSW Small Business Commission

Date: 08/08/25

³ The Sydney Morning Herald, *Thongs and crowd-surfing: Why live music events can't afford insurance* (11 October 2024). Available at: <https://www.smh.com.au/culture/music/things-and-crowd-surfing-why-live-music-events-can-t-afford-insurance-20241011-p5khiz.html>