

## Scottish Artists and the Gallery System

### Contract of Sale

Artists report increased problems in being able to earn a sustainable income due to

- A changing market over the past few years which is reflected in Galleries having to raise their commission rates to, at present, 40% - 50% throughout the UK, and increasing still further in London. This, therefore, increases the value of the Artist's work but decreases the amount the Artist receives from its sale.
- Present tax law which charges 17.5% VAT on commission.
- Lack of Galleries prepared to buy work directly from Artists at point of sale.

### Types of Sales Agreements

#### Commission Based

(65% of Artists have this arrangement – Scottish Artists Union)

The Artist is the Gallery's client, but is often poorly treated. The Artist sets the selling price and the Gallery charges commission plus VAT based upon that selling price, in this way the Artist controls the market price. However the Artist must account for tax on the full price as turnover, regarding the Gallery commission as an Agent's fee and deducting it as a cost, even though the full sum goes into the Agent's bank and payment to the Artist is rarely prompt.

The increase in commission rates mean more Artists face VAT registration, at which point Artists are worse off since they are unable simply to up production or to easily increase prices by 17.5%. Increasing prices eliminates an established portion of the Artists market and accountants advise Artists to avoid having to become VAT registered.

A solution to earning a sustainable income without compromising Artistic integrity is to sell direct.

#### Direct Purchase at Point of Sale

(6% have this arrangement – Scottish Artists Union)

The Artist provides the Gallery with work on a sale or return basis, involving no risk to the Gallery. At the point of sale the Gallery essentially "buys" the work from the Artist for the agreed selling price, and that price is regarded as the taxable turnover, therefore reducing the Artists turnover and avoiding premature VAT registration whilst also increasing earnings.

However the Gallery can now set the market value – which can affect the Artists potential earnings and the Gallery may lose cash flow from VAT on commission.

## **Studio Sales**

In an attempt to earn a living, Artists sell via open studio. This involves time and expense, administration, marketing, and dealing with buyers.

Galleries tend to disapprove and buyers often expect discount, however informal set ups can work for buyers put off by a Gallery environment.

Artists combine private and gallery sales for income. (26% use several ways of selling – Scottish Artists Union)

## **Outright Purchase for Stock**

(5 of 500 Galleries had annual purchasing budgets – Artist Solutions Survey).

The Artist loses control of market value and potential earnings, but has the money up front and can remain below the VAT threshold. The dealer may negotiate lower than the Artists price and must insure and account for stock as an asset.

It can slow the market for new work and young Artists and is a risk for both parties.

## **Artist Run Organisations**

(e.g. Paisley Art Institute)

These pool resources and are run on a voluntary basis. Exhibitions raise funds and offer a showcase opportunity. The Artists involved also exhibit/sell via other Galleries and sponsorship of exhibitions and catalogues can be provided by Galleries and businesses, all sales are commission based. However new charity legislation has had an adverse effect.

## **Do Artists Need Galleries?**

The balance of power lies with the Galleries, even in the commission based arrangement where the Artist is the client. Commission rates are non-negotiable and direct purchase at point of sale usually has to be instigated by the Artist, the “gentleman’s agreement” still prevails.

In a competitive and fickle “business” the role a good Gallery plays in an Artist’s career cannot be underestimated. Most artists prefer the buffer zone a Gallery provides. It marks an important distinction between creating the work and the business of exhibiting, promoting and selling it. This allows the artist to concentrate on the creative aspect which is vital to the integrity of the work and its artistic merit. Work focused on commercial concerns and viability tends to result in poorer art.

The Gallery affords the Artist exhibition space, promotional assistance, a geographical “spread” of the market if selling via art fairs/internet, a client base and it deals with the public and the money. Galleries court clients and collectors offering buyers confidence in a purchase. However Galleries have been accused of suppressing the market and Artists of being complicit.

If an Artist is only physically able to produce a small number of works a year, then a certain price must be attained for the Artist to earn a living, this therefore requires serious and professional promotion.

The affordable art market (works under £3000) is regarded as underdeveloped. For Artists to make a living in this market they would have to be both prolific and saleable, or prepared to sell directly to buyers.

## The Scottish Art Market

The Scottish “market” for art does not support its Artists subsequently most have to exhibit and seek promotion further afield. Many Scottish Artists sell in London, however this can price them out of the Scottish market – high price tags do not necessarily mean the Artist is earning a living. Exhibiting and selling in London and UK wide art fairs does increase the Artist’s profile but simultaneously increases their costs.

Scottish Galleries do market to the affluent south, attending UK wide art fairs and promoting their artists internationally. Arts, trade and tourism support could be better targeted and developed. Visit Scotland was cited as poor even by its member Galleries.

Arts tourism may be targeting visitors with an interest in “the arts”, but is not focused effectively on art buyers or on supporting and promoting Scottish Artists and their Galleries.

## What Would Assist Artists?

- Tax Benefits
- VAT Reform - (In other countries Artists are exempt or rates are lower, eg. Australian Artists do not pay VAT on certain services/materials)
- Increase tax allowance for those working from home. (40% of Artists work from home)
- Increase allowable vehicle expenses and vehicle types. (Rural Artists and Galleries are at a disadvantage)
- Research and Development tax credits
- Creation of specialist tax department for Artists, an understanding that Artists create art rather than products would help enormously
- Tax incentives for Galleries with lower commission rates or direct purchase at point of sale arrangements
- Tax incentives for business support of Artists. (Businesses do not see a worthwhile return and are therefore reluctant to support artistic activity)
- Interest free loans via the Scottish Arts Council, akin to “Own Art Scheme”, where arts funding is unavailable this would assist Artists and Galleries to prepare, promote and exhibit work
- Low cost studio provision and commission free exhibition opportunities
- Support to develop the market for art
- Tax relief on investment art for pension schemes
- Arts, trade and tourism grants to promote Scottish Artists and Galleries throughout the UK and abroad