

# **Goodison Review: Saving art for the nation**

## **Consultation document**

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July 2003



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# Goodison Review: Saving art for the nation

## Consultation document

A consultation document on the effectiveness and efficiency of support to regional and national museums and galleries to help them acquire works of art and culture of distinction that might otherwise be sold abroad, and to make those items accessible to the public.

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# Goodison Review

## Saving Art for the Nation

### **Objective**

To review the effectiveness and efficiency of support to regional and national museums and galleries to help them acquire works of art and culture of distinction that might otherwise be sold abroad, and to make those items accessible to the public.

### **Introduction**

The Government is committed to improving access to items of cultural and historical significance. The Government's policy of free entry to the main national museums and galleries, implemented in December 2001, has led to an increase of almost 70 per cent in admissions to the national museums and galleries which formerly charged for entry.

To build on this success, the Chief Secretary to the Treasury has asked Sir Nicholas Goodison to conduct a review of the efficiency and effectiveness of support to regional and national museums to enable them to acquire and make works of art and culture accessible to all. This review was announced by the Chancellor of the Exchequer in Budget 2003.

As part of this review, we wish to invite individuals and organisations to contribute their views, and any supporting evidence, on a number of issues.

It should be noted that this review is *not* limited to consideration of the acquisitions of cultural items which, were they to be exported, would require export licences (as described in Annex A).

## **Purpose of the Consultation**

The aim of the consultation is to generate ideas and evidence which can be used to review the efficiency and effectiveness of current taxation and funding arrangements which affect the ability of museums and galleries to acquire, and make accessible, works of art and culture.

## **Who is being consulted?**

We are sending this consultation document to a large number of individuals, including those in the heritage sector, museums, galleries and the art market.

We welcome comments from all interested parties, not just those to whom the document has been sent.

## **How will the results of the review be reported?**

At the end of the review, we will report on our principal findings. This report will be available via the HM Treasury Internet site ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)). Alternatively printed copies may be requested by writing to the address below.

Although we may quote from some consultation responses, as is usual practice, we will not publish consultation responses in their entirety.

## **Conduct of the Consultation**

This consultation is being made in accordance with the terms of the Government's Code of Practice on written consultations (Annex C).

## **Devolution**

The review will consider taxation arrangements which affect the whole of the United Kingdom.

The funding arrangements under consideration relate to England and Wales only.

## **How to Respond**

It would be very helpful if you could complete the form at Annex B with your contact details, and attach this form to your response.

We would welcome responses by email, fax or post to the following addresses:

Email: art.review@hm-treasury.gsi.gov.uk

Fax: 0207 451 7617

By Post: Art Review  
HM Treasury  
1 Horse Guards Road  
LONDON  
SW1A 2HQ

Copies of this document are available from the above address and on the Treasury internet site ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)).

## **Deadline for Consultation Responses**

Responses are requested by 1 October 2003.

## **Disclosure**

We will ensure the confidentiality of any information which respondents tell us is confidential in nature. With this exception, you should be aware that all responses received may be made public unless specifically requested otherwise.

## **Issues for Consultation**

We have identified a number of issues and questions on which we would appreciate your views. These are given below.

You should not confine your response to these questions if you wish to make further comments.

## **Background Information**

To assist you in your consideration of the questions, Annex A contains an outline of the existing funding, taxation and export regulation arrangements which contribute to the ability of museums to acquire works of art and culture.

**We invite your responses to the following questions:**

- 1. Do you have any comments on the present arrangements for funding from central and local government, and other public bodies, for acquisitions by museums and galleries of works of art and culture?**

**Can you suggest ways in which the efficiency and effectiveness of these arrangements might be improved?**

- 2. How far do the existing tax reliefs and exemptions provide effective and efficient incentives for the sale or donation of works of art and cultural property to museums and galleries?**

*We would welcome examples and case studies illustrating both the strengths and weaknesses of the existing system.*

*We would welcome practical ideas for improving the current reliefs and exemptions, including any evidence or analysis of why these changes would result in a more efficient and effective system.*

**3. To what extent do the current funding arrangements and tax reliefs provide good value for money for the taxpayer?**

*Support can be given as direct funding for museums and galleries, or “tax expenditures” on relief for donations and sales (including payment of tax in kind). Pound for pound, both routes make the same demands on the total resources available for Government support for the arts.*

*Bearing this in mind, in your opinion, could the value for money of the current arrangements be improved? We would welcome practical suggestions.*

**4. How can we ensure that cultural objects purchased by or loaned to museums and galleries are publicly accessible in the regions?**

*We would welcome innovative solutions and examples of good practice, both in relation to acquisitions by regional museums, and in relation to ways in which the collections of national museums can be made accessible to the public in the regions.*

**5. Are there aspects of the arrangements in other countries that it would be desirable and practical to adopt in the UK (taking account of the particular circumstances of the UK’s taxation and regulatory regime)?**

*It would be particularly helpful if you can provide, or point to, information about the extent of real world take-up of these arrangements, their Exchequer cost, and the value and character of the art works acquired.*

**6. How can we encourage donation, and loans, of works of art and culture by people during their lifetime?**

*Do you have any practical suggestions for how we could achieve this?*

*Do you envisage new incentives primarily for existing owners? Or for benefactors buying works specifically to donate? In either case, how do your proposals improve on existing incentives, and what additional take-up would you expect to achieve?*

**7. Do you have any comment on the current level and purpose of corporate and individual donation of money and sponsorship in helping museums and galleries to acquire works of art?**

**Is there more the Government could do to encourage philanthropy in this area?**

- a) by individuals, or
- b) by companies?

*We would welcome innovative and practical ideas*

**8. How far the current arrangements distort the art market, in particular prices?**

*Any evidence in support of your answer would be welcome.*

**9. How can we help museums and galleries to take best advantage of the often short window of opportunity to acquire significant and costly works of art and culture before they are sold abroad?**

### **Background Information: Existing Funding, Taxation and Export Regulation Arrangements**

In order to assist your consideration of the issues raised in this consultation document, there follows a brief outline of existing funding, taxation and export regulation arrangements which contribute to the ability of museums to acquire works of art and culture.

#### **Funding**

Funding towards acquisitions by museums in England and Wales is in a number of ways including:

- š Grant in Aid from the Department of Culture, Media and Sport (DCMS) to its 22 sponsored (Non Departmental Public Body) museums,
- š Grant in Aid from DCMS to Resource, the Council for Museums, Archives and Libraries, for example towards the PRISM and V&A purchase grant funds,
- š Funds made available by local government and other public funding bodies,
- š Grants from the Heritage Lottery Fund (in 2001-02, the Heritage Lottery Fund made over £17.5 million available for acquisitions, including manuscripts and archives), and
- š Grants from the National Heritage Memorial Fund.

In recent years, museums have tended to direct their grant in aid towards running costs, and a significant proportion of funding for acquisitions has been raised through donations.

The National Heritage Memorial Fund was established in 1980 to defend the most outstanding parts of the UK national heritage. Its grant in aid (£5 million in 2000-01) is used mainly to buy land, buildings, works of art and other objects of outstanding interest and importance. In 1992 it also became the distributor for the Heritage Lottery Fund.

The Heritage Lottery Fund was formed to distribute funds to capital and revenue projects that safeguard and improve access to land,

buildings, objects, and collections of importance to the national and local heritage.

## **Taxation measures affecting sales and donations to museums and galleries**

### Acceptance in Lieu

The Acceptance in Lieu scheme enables taxpayers to transfer works of art and other heritage objects into public ownership while paying inheritance tax.

The Inland Revenue may, with the approval of the appropriate Minister, accept such works in payment of tax.

These items must be 'pre-eminent', in other words, of particular historical, artistic, scientific or local significance, either individually or collectively, or associated with a building in public ownership, which will be expected to have public access for at least 100 days each year.

### Conditional Exemption

Conditional Exemption from Inheritance Tax and Capital Gains Tax is available where qualifying heritage assets are given public access. Conditional Exemption may be claimed for heritage assets that are judged to be pre-eminent, provided undertakings are given by the owner to:

- š` Preserve them and keep them in the UK
- š` Secure reasonable public access to them (some measure of which must be 'open access' – without prior appointment)
- š` Publicise the availability of such access and the terms of the undertakings.

## The Tax exemption, and Douceur, for Private Treaty Sales

Sales by private treaty of heritage assets that qualify for conditional exemption are exempt from inheritance tax and Capital Gains Tax. It is longstanding policy that the price paid by the purchasing institution should not be reduced by the full amount of this tax saving but should instead be adjusted to leave part of the benefit (the “douceur”) in the hands of the seller. This division usually allows them 25 per cent of the tax saving, with the remaining 75 per cent going to the public institution in the form of a price lower than would have been paid on a fully taxable sale.

## Income Tax and Corporation Tax – Reliefs for Charitable Giving

Tax relief is available to both individuals and businesses for gifts of money, shares and land or buildings to charities.

Individuals can get tax relief on gifts to UK charities if they give:

- š Under Gift Aid. The charity can then reclaim the basic rate tax that the donor has paid on the gift. Higher rate taxpayers can claim relief on the difference between the basic rate and higher rate of tax on the grossed up amount of the gift.
- š Through Payroll Giving schemes. The gift is deducted from the donor’s pay before PAYE tax is deducted, so the donor receives tax relief immediately at their highest rate of tax.
- š Or if they make a gift, or a sale at below market value, of certain shares and securities or land or buildings. The value of the gift is deducted from the donor’s income before income tax is calculated, leading to relief at the donor’s highest rate of tax.

Companies can get tax relief on gifts to UK charities if they give:

- š Money. The company makes a payment to the charity and simply deducts the amount of the gift in computing its profits for tax purposes or
- š By making a gift, or a sale at below market value, of certain shares and securities or land or buildings. The value of the gift is deducted from the companies profits for tax purposes.

Gifts of works of art, and other assets, to a UK registered charity are made on a “no gain, no loss” basis for capital gains purposes for both individuals and companies. However, such gifts and sales do *not* attract income or corporation tax relief.

### Corporate sponsorship

Corporation tax relief is available for payments to sponsor a charitable activity, provided the payments are made wholly and exclusively for the purpose of the sponsoring company's trade, and are not of a capital nature.

If a payment is made partly for commercial reasons, and partly for charitable reasons, it would not constitute a qualifying corporate sponsorship payment, but such a payment might be eligible for relief as a donation of money.

## **Export regulations affecting of works of art and culture**

Although this section outlines export licensing arrangements, it should be noted that this review will also take into account cultural items that *do not* require a licence for export.

Cultural objects manufactured or produced more than 50 years before the date of exportation (with certain limited exceptions) require a licence if they are to be exported.

Above certain valuation limits, licence applications must be referred to Expert Advisers, who consider the applications against the Waverley Criteria.

### *The Waverley Criteria*

- š Is the item so closely connected with our history and national life that its departure would be a misfortune?
- š Is it of outstanding aesthetic importance?
- š Is it of outstanding significance for the study of some particular branch of art, learning or history?

If an Expert Adviser thinks that an item meets any of these criteria, they refer the export licence application to the Reviewing Committee on the Export of Works of Art, which may recommend that ministers defer the decision on granting the export licence.

The deferral of the licence enables a purchase offer to be made, at or above the recommended price, and provides UK institutions and private individuals with a final chance to raise the money to purchase such items before they are exported. The deferral period can be extended where there is a serious intention to raise funds with a view to making an offer to purchase.

If the vendor rejects an offer at the fair market value of the item, the export licence will be refused. If no such offer is forthcoming, the licence will be granted at the end of the deferral period.

## Annex B

### Goodison Review of Saving Art for the Nation

#### Consultation Response – Contact Details

Name	
Organisation	
Address	
Postcode	
Telephone	
Fax	
Email	

If you are responding on behalf of a representative group, please summarise the people or organisations your group represents:	
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Please indicate if you would prefer to have your response treated as confidential.	
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### Code of practice on written consultation

#### The consultation criteria

1. Timing of consultation should be built into the planning process for a policy (including legislation) or service from the start, so that it has the best prospect of improving the proposals concerned, and so that sufficient time is left for it at each stage.
2. It should be clear who is being consulted, about what questions, in what timescale, and for what purpose.
3. A consultation document should be as simple and concise as possible. It should include a summary, in two pages at most, of the main questions it seeks views on. It should make it as easy as possible for readers to respond, make contact, or complain.
4. Documents should be made widely available, with the fullest use of electronic formats (though not to the exclusion of others), and effectively drawn to the attention of all interested groups and individuals.
5. Sufficient time should be allowed for considered responses from all groups with an interest. Twelve weeks should be the standard minimum period for a consultation.
6. Responses should be carefully and open-mindedly analysed, and the results made widely available, with an account of the views expressed, and reasons for decisions finally taken.
7. Departments should monitor and evaluate consultations, designating a consultation coordinator who will ensure the lessons are disseminated.