

Art industry hung up over super proposals

Sally Patten

The \$700 million art industry has discovered that it is not immune from the law of unintended consequences.

A recommendation by a review of the superannuation industry to ban self-managed retirement funds from owning collectible items such as paintings, antiques and stamps may not be attracting the level of public outcry that has been directed at the resource rent tax, but art dealers and gallery owners are growing increasingly concerned about the impact if the review's recommendations are adopted.

Dealers, gallery owners and accountants have banded together to launch a "Save Super Art" campaign to increase pressure on the head of the review, Jeremy Cooper, and the federal government.

The campaign organisers met on Monday in Melbourne and are due to hold a second meeting in Sydney on Friday. About 15 people attended the Melbourne meeting.

Though only a tiny portion of the \$386 billion of do-it-yourself super fund assets are invested in collectibles, in art world terms the investments represent big money.

A financial planner at Moneytree Partners, Greg Nazvanov, estimates that about 20 per cent of works — worth about \$100 million — sold annually through 640 commercial galleries are bought by self-managed retirement funds. "The impact on the industry will be much bigger [than



A proposed ban on investment in art by DIY super funds will hit art sales hard, the industry says.

Photo: LOUISE KENNERLEY

lost sales] because of all the other people involved in the industry," he said. About 50 per cent of the price of a new painting "feeds the foodchain", such as valuers, storage companies, couriers and paint and linen suppliers, he said.

A communications paper for the campaign says the Cooper review

recommendations amount to a "sledgehammer to crack a walnut", make SMSFs less attractive and "take away a freedom for no good purpose".

Tom Lowenstein, of Lowensteins Arts Management, an accountancy practice that specialises in arts-related firms, said: "It [a ban on DIY

funds from buying art] could be disastrous for the art world."

"All of a sudden money could flow out of the market. It would destroy the lives of people," Mr Lowenstein said.

He predicted that the prices of paintings could fall as a key source of funds dried up and self-managed

schemes were forced to liquidate their holdings over a 10-year period — as recommended.

Some industry insiders predicted prices of paintings could fall across the board, while others suggested prices of young artists and indigenous painters would be hit the hardest because these were often viewed as the best long-term investments by DIY funds.

Anecdotal evidence suggests the majority of indigenous works sold through galleries are bought by DIY schemes.

Mr Lowenstein said the timing of the rule change was particularly poor because it coincided with the 5 per cent resale royalty on secondary art sales, due to be introduced next month, and a market that was struggling to recover from the impact of the global financial crisis.

"It [the proposed changes] might take the wheels off the industry," said Denis Savill, of Savill Galleries in Sydney. "The industry will take a knock."

The campaign says that instead of the ban on art, investments should be better policed.

Under the existing rules, art must be stored so that the DIY fund member does not derive any benefit other than as an investment.

"You have to make the compliance more vigorous," Mr Nazvanov said.

The campaign will also reject Mr Cooper's suggestion that art should not be regarded as an investment that builds retirement savings.